DESIGN PROTECTION

HEARING

BEFORE THE

SUBCOMMITTEE ON
PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO S. RES. 48

ON

S. 1237

JULY 28, 1965

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CONTENTS

	Page
Testimony of—	
Hon. Philip A. Hart, a U.S. Senator from the State of Michigan	11
George D. Cary, Deputy Register of Copyrights, Library of Congress	12
Albert B. Perlin, Jr., American Retail Federation	27
Ellis Arnall, former Governor of the State of Georgia	41
Derek Brooks, vice president, National Retail Furniture Association	49
Alan Latman, National Committee for Effective Design Legislation	54
Statement of—	
Hon. Herman E. Talmadge, a Senator from the State of Georgia	10

APPENDIX

American Bar Association, Section of Patent, Trademark, and Copyright Law, letter dated July 28, 1965	65
American Patent Law Association, Committee on Design Legislation, letter dated July 27, 1965	65
Copyright Office, letter dated August 9, 1965	66
Mr. Sylvan Gotshal, letter dated August 10, 1965	67
Mr. Roy W. Jackson, letter dated July 26, 1965	68
National Retail Merchants Association, statement dated July 28, 1965	71

DESIGN PROTECTION

WEDNESDAY, JULY 28, 1965

U.S. SENATE,
SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS
OF THE COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 3302, New Senate Office Building, Senator Quentin N. Burdick presiding.

Present: Senators Burdick and Fong.

Also present: Thomas C. Brennan, chief counsel; Edd N. Williams, Jr., assistant counsel; Stephen G. Haaser, chief clerk, Subcommittee on Patents, Trademarks, and Copyrights; and Mr. Horace A. Flurry, representing Senator Hart.

Senator BURDICK. The subcommittee is meeting this morning to conduct a public hearing on S. 1237, the design protection bill. This measure is cosponsored by Senator Talmadge and Senator Hart.

Senator Hart presided at the subcommittee hearings on this subject in 1960 and 1961.

To avoid the repetition of this previous testimony, I am going to direct that the record of those hearings be incorporated by reference as part of the proceedings on S. 1237.

This subcommittee and the Senate approved design protection legislation virtually identical to the pending bill in both the 87th and 88th Congresses. Subsequent to the passage of this legislation by the Senate in the last Congress, various retailers expressed concern as to possible liability under the provisions of this bill. It is principally to explore that issue that this hearing is being held.

I might say to the witnesses that we are hopeful to conclude the hearings this morning and that those that have prepared statements can have them made a part of the record. It will be appreciated if those that can summarize their statements will do so. It isn't required, but it will be appreciated.

Mr. BRENNAN. Mr. Chairman, I would like to offer at this time for inclusion in the record the notice of this hearing which appeared in the Record of July 14 to be followed by a copy of the bill, S. 1237, and finally, a statement by Senator Talmadge, cosponsor in support of the bill.

Senator BURDICK. Without objection, they will be made a part of the record.

(The documents referred to follow:)

[From the Congressional Record, Senate, July 14, 1965]

NOTICE OF PUBLIC HEARING ON DESIGN PROTECTION

Mr. MCCLELLAN. Mr. President, as chairman of the standing Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary,

I wish to announce that the subcommittee has scheduled a public hearing on S. 1237, a bill to encourage the creation of original ornamental designs of useful articles. The hearing will be held on Wednesday, July 28, commencing at 10 a.m. in room 3302, New Senate Office Building.

Anyone who wishes to testify or file a statement for the record should communicate immediately with the office of the subcommittee, room 349–A, Senate Office Building, Washington, D.C., telephone 225–2268.

The subcommittee consists of the Senator from Michigan [Mr. Hart], the Senator from North Dakota [Mr. Burdick], the Senator from Pennsylvania [Mr. Scott], the Senator from Hawaii [Mr. Fong], and myself.

[S. 1237, 89th Cong., 1st sess.]

A BILL To encourage the creation of original ornamental designs of useful articles by protecting the authors of such designs for a limited time against unauthorized copying

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DESIGNS PROTECTED

SECTION 1. (a) The author or other proprietor of an original ornamental design of a useful article may secure the protection provided by this Act upon complying with and subject to the provisions hereof.

(b) For the purposes of this Act—

(1) A "useful article" is an article which in normal use has an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article which normally is a part of a useful article shall be deemed to be a useful article.

(2) The "design of a useful article", hereinafter referred to as a "design", consists of those aspects or elements of the article, including its two-dimensional or three-dimensional features of shape and surface, which make up the appearance of the article.

(3) A design is "ornamental" if it is intended to make the article attractive or distinctive in appearance.

(4) A design is "original" if it is the independent creation of an author who did not copy it from another source.

DESIGNS NOT SUBJECT TO PROTECTION

SEC. 2. Protection under this Act shall not be available for a design that is—

(a) not original;

(b) staple or commonplace, such as a standard geometric figure, familiar symbol, emblem, or motif, or other shape, pattern, or configuration which has become common, prevalent, or ordinary;

(c) different from a design excluded by subparagraph (b) above only in insignificant details or in elements which are variants commonly used in the relevent trades; or

(d) dictated solely by a utilitarian function of the article that embodies it.

REVISIONS, ADAPTATIONS, AND REARRANGEMENTS

SEC. 3. Protection for a design under this Act shall be available notwithstanding the employment in the design of subject matter excluded from protection under section 2, if the design is a substantial revision, adaptation, or rearrangement of said subject matter: *Provided*, That such protection shall be available to a design employing subject matter protected under title 17 or 35 of the United States Code or under this Act, only if such protected subject matter is employed with the consent of the proprietor thereof. Such protection shall be independent of any subsisting protection in subject matter employed in the design, and shall not be construed as securing any right to subject matter excluded from protection or as extending any subsisting protection.

COMMENCEMENT OF PROTECTION

SEC. 4. (a) The protection provided for a design under this Act shall commence upon the date when the design is first made public.

(b) A design is made public when, by the proprietor of the design or with his consent, an existing useful article embodying the design anywhere publicly exhibited, publicly distributed, or offered for sale or sold to the public.

TERM OF PROTECTION

SEC. 5. (a) Subject to the provisions of this Act, the protection herein provided for a design shall continue for a term of five years from the date of the commencement of protection as provided in section 4 (a), but if a proper application for renewal is received by the Administrator during the year prior to the expiration of the five-year term, the protection herein provided shall be extended for an additional period of five years from the date of expiration of the first five years.

(b) If the design notice actually applied shows a date earlier than the date of the commencement of protection as provided in section 4(a), protection shall terminate as though the term had commenced at the earlier date.

(c) Where the distinguishing elements of a design are in substantially the same form in a number of different useful articles, the design shall be protected as to all such articles when protected as to one of them, but no more than one registration shall be required. Upon expiration or termination of protection in a particular design as provided in this Act all rights under this Act in said design shall terminate, regardless of the number of different articles in which the design may have been utilized during the term of its protection.

THE DESIGN NOTICE

SEC. 6.(a) Whenever any design for which protection is sought under this Act is made public is provided in section 4(b), the proprietor shall, subject to the provisions of section 7, mark it or have it marked legibly with a design notice consisting of the following three elements:

(1) the words "Protected Design", the abbreviation "Prot'd Des." or the letter "D" within a circle, thus Ⓓ;

(2) the year of the date on which the design was first made public; and

(3) the name of the proprietor, an abbreviation by which the name can be recognized, or a generally accepted alternative designation of the proprietor; any distinctive identification of the proprietor may be used if it has been approved and recorded by the Administrator before the design marked with such identification is made public.

After registration the registration number may be used instead of the elements specified in (2) and (3) hereof.

(b) The notice shall be so located and applied as to give reasonable notice of design protection while the useful article embodying the design is passing through its normal channels of commerce. This requirement may be fulfilled, in the case of sheetlike or strip materials bearing repetitive or continuous designs, by application of the notice to each repetition, or to the margin, selvage, or reverse side of the material at reasonable frequent intervals, or to tags or labels affixed to the material at such intervals.

(c) When the proprietor of a design has complied with the provisions of this section, protection under this Act shall not be affected by the removal, destruction, or obliteration by others of the design notice on an article.

EFFECT OF OMISSION OF NOTICE

SEC. 7. The omission of the notice prescribed in section 6 shall not cause loss of the protection or prevent recovery for infringement against any person who, after written notice of the design protection, begins an undertaking leading to infringement: *Provided*, That such omission shall prevent any recovery under section 22 against a person who began an undertaking leading to infringement before receiving written notice of the design protection, and no injunction shall be had unless the proprietor of the design shall reimburse said person for any reasonable expenditure or contractual obligation in connection with such undertaking incurred before written notice of design protection, as the court in its discretion shall direct. The burden of proving written notice shall be on the proprietor.

INFRINGEMENT

SEC. 8. (a) It shall be infringement of a design protected under this Act for any person, without the consent of the proprietor of the design, within the United States or its territories or possessions and during the term of such protection, to—

(1) make, have made, or import, for sale or for use in trade, any infringing article as defined in subsection (d) hereof; or

(2) sell or distribute for sale or for use in trade any such infringing article: *Provided, however,* That a seller or distributor of any article who did not make or import the same shall be deemed to be an infringer only if—

(i) he induced or acted in collusion with a manufacturer to make, or an importer to import such article (merely purchasing or giving an order to purchase in the ordinary course of business shall not of itself constitute such inducement or collusion); or

(ii) he refuses or fails upon the request of the proprietor of the design to make a prompt and full disclosure of his source of such article, and he orders or reorders such article after having received notice by registered or certified mail of the protection subsisting in the design.

(b) It shall be not infringement to make, have made, import, sell, or distribute, any article embodying a design created without knowledge of, and copying from, a protected design.

(c) A person who incorporates into his own product of manufacture an infringing article acquired from others in the ordinary course of business, or who, without knowledge of the protected design, makes or processes an infringing article for the account of another person in the ordinary course of business, shall not be deemed an infringer except under the conditions of clauses (i) and (ii) of paragraph (a)(2) of this section. Accepting an order or reorder from the source of the infringing article shall be deemed ordering or reordering within the meaning of clause (ii) of paragraph (a)(2) of this section.

(d) An "infringing article" as used herein is any article, the design of which has been copied from the protected design, without the consent of the proprietor: *Provided, however,* That an illustration or picture of a protected design in an advertisement, book, periodical, newspaper, photograph, broadcast, motion picture, or similar medium shall not be deemed to be an infringing article. An article is not an infringing article if it embodies, in common with the protected design, only elements described in subsections (a) through (d) of section 2.

(e) The party alleging rights in a design in any action or proceeding shall have the burden of affirmatively establishing its originality whenever the opposing party introduces an earlier work which is identical to such design, or so similar as to make a prima facie showing that such design was copied from such work.

APPLICATION FOR REGISTRATION

SEC. 9. (a) Protection under this Act shall be lost if application for registration of the design is not made within six months after the date on which the design was first made public as provided in section 4(b).

(b) Application for registration or renewal may be made by the proprietor of the design.

(c) The application for registration shall be made to the Administrator and shall state (1) the name and address of the author or authors of the design; (2) the name and address of the proprietor if different from the author; (3) the specific name of the article, indicating its utility; (4) the date when the design was first made public as provided in section 4(b); and (5) such other information as may be required by the Administrator. The application for registration may include a description setting forth the salient features of the design, but the absence of such a description shall not prevent registration under this Act.

(d) The application for registration shall be accompanied by a statement under oath by the applicant or his duly authorized agent or representative, setting forth that, to the best of his knowledge and belief (1) the design is original and was created by the author or authors named in the application; (2) the design has not previously been registered on behalf of the applicant or his predecessor in title; (3) the design has been made public as provided in section 4(b); and (4) the applicant is the person entitled to protection and to registration under this Act. If the design has been made public with the design notice prescribed in section 6, the statement shall also describe the exact form and position of the design notice.

(e) Error in any statement or assertion as to the utility of the article named in the application, the design of which is sought to be registered, shall not affect the protection secured under this Act.

(f) Errors in omitting a joint author or in naming an alleged joint author shall not affect the validity of the registration, or the actual ownership or the protection of the design: *Provided*, That the name of one individual who was in fact an author is stated in the application. Where the design was made within the regular scope of the author's employment and individual authorship of the desogin is difficult or impossible to ascribe and the application so states, the name and address of the employer for whom the design was made may be stated instead of that of the individual author.

(g) The application for registration shall be accompanied by two copies of a drawing or other pictorial representation of the useful article having one or more views adequate to show the design, in a form and style suitable for reproduction, which shall be deemed a part of the application.

(h) Related useful articles having common design features may be included in the same application under such conditions as may be prescribed by the Administrator.

BENEFIT OF EARLIER FILING DATE IN FOREIGN COUNTRY

SEC. 10. An application for registration of a design filed in this country by any person who has, or whose legal representative or predecessor or successor in title has previously regularly filed an application for registration of the same design in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States shall have the same effect as if filed in this country on the date on which the application was first filed in any such foreign country, if the application in this country is filed within six months from the earliest date on which any such foreign application was filed.

OATHS AND ACKNOWLEDGMENTS

SEC. 11. Oaths and acknowledgments required by this Act may be made before any person in the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any official authorized to administer oaths in the foreign country concerned, whose authority shall be proved by a certificate of a diplomatic or consular officer of the United States, and shall be valid if they comply with the laws of the state or country where made.

EXAMINATION OF APPLICATION AND ISSUE OR REFUSAL OF REGISTRATION

SEC. 12. (a) Upon the filing of an application for registration in proper form as provided in section 9, and upon payment of the fee provided in section 15, the Administrator shall determine whether or not the application relates to a design which on its face appears to be subject to protection under this Act, and if so, he shall register the design. Registration under this subsection shall be announced by publication.

(b) If, in his judgment, the application for registration relates to a design which on its face is not subject to protection under this Act, the Administrator shall send the applicant a notice of his refusal to register and the grounds therefor. Within three months from the date the notice of refusal is sent, the applicant may request, in writing, reconsideration of his application. After consideration of such a request, the Administrator shall either register the design or send the applicant a notice of his final refusal to register.

(c) Any person who believes he is or will be damaged by a registration under this Act may, upon payment of the prescribed fee, apply to the Administrator at any time to cancel the registration on the ground that the design is not subject to protection under the provisions of this Act, stating the reasons therefor. Upon receipt of an application for cancellation, the Administrator shall send the proprietor of the design, as shown in the records of the Office of the Administrator, a notice of said application, and the proprietor shall have a period of three months from the date such notice was mailed in which to present arguments in support of the validity of the registration. It shall also be within the authority of the administrator to establish, by regulation, conditions under which the opposing patries may appear and be heard in support of their arguments. If, after

the periods provided for the presentation of arguments have expired, the Administrator determines that the applicant for cancellation has established that the design is not subject to protection under the provisions of his Act, he shall order the registration stricken from the record. Cancellation under this subsection shall be announced by publication, and notice of the Administrator's final determination with respect to any application for cancellation shall be sent to the applicant and to the proprietor of record. Remedy against such a final determination may be had by means of a civil action against the Administrator pursuant to the provisions of section 1361 of title 28, United States Code, if commenced within such time after such decision, not less than sixty days, as the Administrator appoints.

(d) When a design has been registered under this section, the lack of utility of any article in which it has been embodied shall be no defense to an infringement action under section 20, and no ground for cancellation under subsection (c) of this section or under section 23.

CERTIFICATE OF REGISTRATION

SEC. 13. Certificates of registration shall be issued in the name of the United States under the seal of the Office of the Administrator and shall be recorded in the official records of that Office. The certificate shall state the name of the useful article, the date of filing of the application, the date on which the design was first made public as provided in section 4(b) or any earlier date as set forth in section 5(b), and shall contain a reproduction of the drawing or other pictorial representation showing the design. Where a description of the salient features of the design appears in the application, this description shall also appear in the certificate. A renewal certificate shall contain the date of renewal registration in addition to the foregoing. A certificate of initial or renewal registration shall be admitted in any court as prima facie evidence of the facts stated therein.

PUBLICATION OF ANNOUNCEMENTS AND INDEXES

SEC. 14. (a) The Administrator shall publish lists and indexes of registered designs and cancellations thereof and may also publish the drawing or other pictorial representatives of registered designs for sale or other distribution.

(b) The Administrator shall establish and maintain a file of the drawings or other pictorial representations of registered designs, which file shall be available for use by the public under such conditions as the Administrator may prescribe.

FEES

SEC. 15. (a) There shall be paid to the Administrator the following fees:

(1) On filing each application for registration or for renewal of registration of a design, $15.

(2) For each additional related article included in one application, $10.

(3) For recording assignments, $3 for the first six pages, and for each additional two pages or less, $1.

(4) For a certificate of correction of an error not the fault of the Office, $10.

(5) For certification of copies of records, $1.

(6) On filing each application for cancellation of a registration, $15.

(b) The Administrator may establish charges for materials or services furnished by the Office, not specified above, reasonably related to the cost thereof.

REGULATIONS

SEC. 16. The Administrator may establish regulations not inconsistent with law for the administration of this Act.

COPIES OF RECORDS

SEC. 17. Upon payment of the prescribed fee, any person may obtain a certified copy of any official record of the Office of the Administrator, which copy shall be admissible in evidence with the same effect as the original.

CORRECTION OF ERRORS IN CERTIFICATES

SEC. 18. The Administrator may correct any error in a registration incurred through the fault of the Office, or, upon payment of the required fee, any error

of a clerical or typographical nature not the fault of the Office occurring in good faith, by a certificate of correction under seal. Such registration, together with the certificate, shall thereafter have the same effect as if the same had been originally issued in such corrected form.

OWNERSHIP AND TRANSFER

SEC. 19. (a) The property right in a design subject to protection under this Act shall vest in the author, the legal representatives of a deceased author or of one under legal incapacity, the employer for whom the author created the design in the case of a design made within the regular scope of the author's employment, or a person to whom the rights of the author or of such employer have been transferred. The person or persons in whom the property right is vested shall be considered the proprietor of the design.

(b) The property right in a registered design, or a design for which an application for registration has been or may be filed, may be assigned, granted, conveyed, or mortgaged by an instrument in writing, signed by the proprietor, or may be bequeathed by will.

(c) An acknowledgment as provided in section 11 shall be prima facie evidence of the execution of an assignment, grant, conveyance, or mortgage.

(d) An assignment, grant, conveyance, or mortgage shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Office of the Administrator within three months from its date of execution or prior to the date of such subsequent purchase or mortgage.

REMEDY FOR INFRINGEMENT

SEC. 20. The proprietor of a design shall have remedy for infringement by civil action instituted after (1) the issuance of a certificate of registration of the design, or (2) the final refusal of registration of the design by the Administrator notwithstanding the due filing and prosecution of an application therefor in proper form: *Provided, however*, That such action is commenced within one year after such final refusal and that the Administrator is given notice by the plaintiff of the commencement of the action.

INJUNCTION

SEC. 21. The several courts having jurisdiction of actions under this Act may grant injunctions in accordance with the principles of equity to prevent infringement, including in their discretion, prompt relief by temporary restraining orders and preliminary injunction.

RECOVERY FOR INFRINGEMENT, AND SO FORTH

SEC. 22. (a) Upon finding for the claimant the court shall award him damages adequate to compensate for the infringement, but in no event less than the reasonable value of the use made of the design by the infringer, and the costs of the action. When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages to such amount, not exceeding $5,000 of $1 per copy, whichever is greater, as to the court shall appear to be just. The damages awarded in any of the above circumstances shall constitute compensation and not a penalty. The court may receive expert testimony as an aid to the determination of damages.

(b) No recovery under paragraph (a) shall be had for any infringement committed more than three years prior to the filing of the complaint.

(c) The court may award reasonable attorney's fees to the prevailing party.

(d) The court may order that all infringing articles, and any plates, molds, patterns, models, or other means specifically adapted for making the same be delivered up for destruction or other disposition as the court may direct.

POWER OF COURT OVER REGISTRATION

SEC. 23. In any action involving a design for which protection is sought under this Act, the court when appropriate may order registration of a design or the cancellation of a registration. Any such order shall be certified by the court to the Administrator, who shall make appropriate entry upon the records of his Office.

LIABILITY FOR ACTION ON REGISTRATION FRAUDULENTLY OBTAINED

SEC. 24. Any person who shall bring an action for infringement knowing that registration of the design was obtained by a false or fraudulent representation materially affecting the rights under this Act, shall be liable in the sum of $1,000, or such part thereof as the court may determine, as compensation to the defendant, to be charged against the plaintiff and paid to the defendant, in addition to such costs and attorney's fees of the defendant as may be assessed by the court.

PENALTY FOR FALSE MARKING

SEC. 25. (a) Whoever, for the purpose of deceiving the public, marks upon, or applies to, or uses in advertising in connection with any article made, used, distributed, or sold by him, the design of which is not protected under this Act, a design notice as specified in section 6 or any other words or symbols importing that the design is protected under this Act, knowing that the design is not so protected, shall be fined not more than $500 for every such offense.

(b) Any person may sue for the penalty, in which event, one-half shall go to the person suing and the other to the use of the United States.

PENALTY FOR FALSE REPRESENTATION

SEC. 26. Whoever knowingly makes a false representation materially affecting the rights obtainable under this Act for the purpose of obtaining registration of a design under this Act shall be fined not less than $500 and not more than $1,000, and any rights or privileges he may have in the design under this Act shall be forfeited.

RELATION TO COPYRIGHT LAW

SEC. 27. (a) Nothing in this Act shall affect any right or remedy now or hereafter held by any person under title 17 of the United States Code.

(b) When a pictorial, graphic, or sculptural work in which copyright subsists under title 17 of the United States Code is utilized in an original ornamental design of a useful article, by the copyright proprietor or under an express license from him, the design shall be eligible for protection under the provisions of this Act.

RELATION TO PATENT LAW

SEC. 28. (a) Nothing in this Act shall affect any right or remedy available to or held by any person under title 35 of the United States Code.

(b) The issuance of a design patent for an ornamental design for an article of manufacturer under said title 35 shall terminate any protection of the design under this Act.

COMMON LAW AND OTHER RIGHTS UNAFFECTED

SEC. 29. Nothing in this Act shall annul or limit (1) common law or other rights or remedies, if any, available to or held by any person with respect to a design which has not been made public as provided in section 4(b), or (2) any trademark right or right to be protected against unfair competition.

ADMINISTRATOR

SEC. 30. The Administrator and Office of the Administrator referred to in this Act shall be such officer and office as the President may designate.

SEVERABILITY CLAUSE

SEC. 31. If any provision of this Act or the application of such provision to any person or circumstance is held invalid, the remainder of the Act or the application to other persons or circumstances shall not be affected thereby.

AMENDMENT OF COPYRIGHT LAW

SEC. 32. Chapter I of title 17, United States Code, is amended by adding the following:

"§ 33. Ornamental design of useful article not subject to deposit; effect of utilization of copyrighted work in design of useful article

"(a) For purposes of deposit under sections 12 and 13 of this title, the Copyright Office shall in no case be required to accept for deposit a useful article even if it embodies a pictorial, graphic, or sculptured work, but nothing in this subsection shall preclude deposit and registration of pictorial, graphic, or sculptural works that portray useful articles or that are intended for utilization in the designs of useful articles.

"(b) When a pictorial, graphic, or sculptural work in which copyright subsists under this title is utilized in an original ornamental design of a useful article, by the copyright proprietor or under an express license from him, the design shall be eligible for protection under the provisions of the Design Protection Act of 1965.

"(c) Protection under this title of a work in which copyright subsists shall terminate with respect to its utilization in useful articles whenever the copyright proprietor has obtained registration of an ornamental design of a useful article embodying said work under the provisions of the Design Protection Act of 1965. Unless and until the copyright proprietor has obtained such registration, the copyrighted pictorial, graphic, or sculptural work shall continue in all respects to be covered by and subject to the protection afforded by the copyright subsisting under this title. Nothing in this section shall be deemed to create any additional rights or protection under this title.

"(d) Nothing in this section shall affect any right or remedy held by any person under this title in a work in which copyright was subsisting on the effective date of the Design Protection Act of 1965, or with respect to any utilization of a copyrighted work other than in the design of a useful article.

"(e) A 'useful article' as used in this section is an article which in normal use has an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article which is normally a part of a useful article shall be deemed to be a useful article."

AMENDMENT OF OTHER STATUTES

SEC. 33. (a) Subdivision a(2) of section 70 of the Bankruptcy Act of July 1, 1898, as amended (11 U.S.C. 110(a)), is amended by inserting "designs," after "patent rights," and "design registration," after "application for patent,".

(b) Title 28 of the United States Code is amended—

(1) by inserting "designs," after "patents," in first sentence of section 1338(a);

(2) by inserting ", design," after "patent" in the second sentence of section 1338(a);

(3) by inserting "design," after "copyright," in section 1338(b);

(4) by inserting "and registered designs" after "copyrights" in section 1400; and

(5) by revising section 1498(a) to read as follows:

"(a) Whenever a registered design or invention is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

"For the purposes of this section, the use or manufacture of a registered design or an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

"The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States, prior to, in the case of an invention, July 1, 1918, and in the case of a registered design, January 1, 1965.

"A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence or induce use of the registered design or invention by the Government. This section shall not confer a right of action on any registrant or patentee or any assignee of such registrant or patentee with respect to any design created by or invention discovered or invented by a person while in the employment or

service of the United States, where the design or invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials, or facilities were used."

TIME OF TAKING EFFECT

SEC. 34. This Act shall take effect one year after its enactment.

NO RETROACTIVE EFFECT

SEC. 35. Protection under this Act shall not be available for any design that as been made public as provided in section 4(b) prior to the effective date of this Act.

SHORT TITLE

SEC. 36. This Act may be cited as "The Design Protection Act of 1965."

STATEMENT OF SENATOR HERMAN E. TALMADGE

Several years ago—in fact on January 19, 1960—I first introduced a bill on the subject now before this subcommittee. The bill was S. 2852 in the 2d session of the 86th Congress. My interest in the matter of a proper, effective and fair design protection bill has continued since that time.

My involvement in the subject arose from the concern that the legitimate movement for protection of ornamental designs should in no way impinge upon or detract from the long-recognized scope and nature of copyright protection. With this end in mind, my bill, S. 2852, permitted the establishment of design protection but at the same time preserved inviolate copyright protection in its existing full scope and dimension; that is to say, totality of copyright protection.

The other bills which had been introduced on the subject in that session of Congress likewise provided for design protection but differed from my bill primarily on the matter of preservation of the totality of copyright. After hearings by this subcommittee, Congress adjourned without action on any of the then pending bills, one of which was cosponsored by my good friend, the distinguished Senator from Michigan, Senator Philip A. Hart.

In the 1st session of the 87th Congress, a new bill on design protection was introduced, this time bearing the number S. 1884. The bill, like its predecessors, provided for design protection; however, by this time a harmony of interests, a joint and unified purpose and a common ground had been found by the proponents of the separate bills in the previous session of Congress for now only one bill was introduced and jointly sponsored by myself and the sponsors of the other bill pending in the 86th Congress.

Thus, we were now agreed on two things: one, that a legitimate need existed for the protection from piracy of ornamental designs, and, two, that this commendable goal could be achieved while preserving the totality of copyright protection, without detracting from copyright protection in any way and in permitting the copyright law to continue to grow and to develop.

Three full days of hearings were held in August 1961 on S. 1884 under the thorough and fair chairmanship of Senator Hart. These hearings went into every aspect of the need for and significance of design protection and justified in every way the end sought to be accomplished by giving to talented and creative American businessmen security from the theft and pirating of their designs, in which they had invested not only their money and the funds of others, but also their ingenuity and artistic talents. The transcript of the 1961 hearings bears eloquent testimony to the need of the proposed legislation, its manner of operation upon passage, and the public interests which will be served by its enactment.

It was also apparent to me that the American businessman who operates in the field of design should be entitled to the same nature and type of protection that his counterparts receive in other parts of the free world where we find almost universal acceptance of some similar sort of design protection legislation. The passage of this sort of legislation in the United States would thus provide the basis for international reciprocity of protection for Americans. As early as in the 1960 hearings and again in 1961, the international concerns of

American businessmen who sell their products on an international market was an aspect that I found particularly important.

For these reasons, I was particularly happy, pleased and proud when the subcommittee which conducted the hearings, the full Committee on the Judiciary, and finally the Senate itself each, in turn, favorably acted upon S. 1884. Due to the shortness of time, it became impractical for the other House to hold hearings and consequently Congress adjourned without having taken final action on the pending design bill.

In the following Congress, the Senate once again passed the design bill (S. 776) sponsored by Senator Hart and myself, which for all practical purposes is identical with the bill now pending before this subcommittee. This time, the bill also progressed favorably through the House Judiciary Subcommittee but once again, Congress adjourned before the full committee of the House and the House itself could act.

Now once again a design protection bill is before the Senate and before this subcommittee. I refer to S. 1237 of which Senator Hart and myself are again cosponsors. The need for this legislation is the same as it was in 1961 and 1963 when it was favorably and unanimously voted upon by the Senate. In this regard, the legislation is perhaps even more needed today because it is overdue and further because certain intervening judicial developments have made existing attempts for protecting design even more difficult to obtain without the special type of legislation contemplated by S. 1237.

Furthermore, I understand there is now pending before Congress a bill dealing with the general revision of copyright. Naturally, the subject of copyright protection and design protection cannot be completely separated. The decisions made in certain parts of the copyright revision program must necessarily relate to those made in the field of design. S. 1237 is so drafted that its enactment now will tie in well not only with the present copyright law but also with the passage of a revised copyright law in the near future.

As I mentioned before, my initial interest in this program came about through the relationship of copyright protection to design protection. This is still my major interest. It is my understanding that the proposals contained in the copyright revision bill which this subcommittee will soon consider tie in with the corresponding provisions in the present design bill. Totality of copyright protection is preserved under both programs. Under the approach of S. 1237 and under the copyright revision program, the existing scope of copyright protection in the design-copyright area is maintained without freezing the law into a static position and at the same time permitting judge-made law to continue to develop the rights which copyright owners now enjoy and may enjoy in the future.

For all of the foregoing reasons I have renewed my sponsorship of the design protection legislation, S. 1237, the bill before you today. I am convinced that a need exists. I am convinced that the present bill effectively meets this need. I am convinced that the provisions of this bill are a fair, practical, and salutary solution to the pressing need and will benefit not only the American businessman at home and abroad, but will also serve the public interests by encouraging creativity, variety, and honesty.

Senator BURDICK. Senator Hart is our first witness.

STATEMENT OF HON. PHILIP A. HART, A U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator HART. Five years ago, I was privileged to join with the late Senator Joseph C. O'Mahoney and the distinguished Senator from Wisconsin, Alexander Wiley, in sponsoring the first of the design protection bills.

Our action at that time was based on the belief that the more extensive—and more easily obtained—protection embodied in the bill would aid not only the Nation's designers but the economy.

Much work has been done in the 5 intervening years—as this committee knows well. Our original bill to protect ornamental designs was followed by one introduced by Senator Talmadge. The two were

united in what I view as a better and stronger bill—S. 1884—which was introduced in the 87th Congress by Senator Talmadge, Senator Wiley, and myself.

This bill was almost identical to S. 1237 which is before you today.

Twice the Senate has approved design protection bills—S. 1884 in the 87th Congress and S. 776 in the 88th. However, the House has never acted on any of these bills.

The testimony which has been heard in the past on the bills preceding S. 1237 has indicated the general approval of Government officials, the bar, and industry representatives, of the measure.

The chief advantage of the bill, as has been pointed out so many times, is that it will give protection from piracy to originators of ornamental designs for useful products which is more encompassing than the copyright law and without the time-consuming intensive search necessary under the design patent law.

Mr. Chairman, my support for the bill I think has been clearly spelled out on the record several times in the past 5 years. Therefore, I do not intend to presume on your courtesy and time today to reiterate it point by point.

May I simply call to your attention the excellent presentation which the Library of Congress and the Patent Office of the Department of Commerce made on behalf of the bill. Each is an expert in this area and each, it seems to me, detailed not only the need for this type of protection but why this bill explicitly will meet that need in a comprehensive manner.

To their very fine statements, I wish today to add an "Amen."

As you continue with these hearings, it is reasonable to assume that some will be heard who oppose all or sections of the bill. My hope is that the objectors will be specific in labeling the problem areas and in their suggestions of how the bill could be amended. We who support the bill do not contend it is perfect. But we do contend it is needed—and are willing to make reasonable changes which would improve it and which would smooth the road leading to its enactment.

Senator BURDICK. Thank you, Senator Hart.

I should like to call Mr. George Cary, Deputy Register for Copyrights, Library of Congress.

STATEMENT OF GEORGE D. CARY, DEPUTY REGISTER OF COPYRIGHTS, LIBRARY OF CONGRESS

Mr. CARY. Mr. Chairman, my name is George D. Cary. I am the Deputy Register of Copyrights and in accordance with your suggestion, I will file my statement for inclusion in the record.

Senator BURDICK. It will be so ordered without objection.

Mr. CARRY. I would like to speak to at least two points that I would like to bring to the committee's attention.

First of all, I might gild the lily and say that the Copyright Office supports this bill. We are on the record in previous hearings as to this effect and I merely repeat it here.

My main purpose this morning, however, is to tell you something that could probably be better said by Judge Giles S. Rich of the Court of Customs and Patent Appeals who was the chairman of the coordinating committee, so-called, which drafted this bill. However,

Judge Rich is out of the city, I understand, and could not be here today, so as an advisory member of his committee over the years, I would like to tell the committee just how this bill was conceived and how it developed to its present state as S. 1237.

Probably it began in connection with the amendment of the Patent Act in 1952. At that time a committee which was organized by the National Council of Patent Law Associations drafted the bill which was subsequently enacted with some modifications. Judge Rich was a member of that committee. Specifically the committee decided to omit any discussion or tampering with the design patent law. They realized this was a very complex problem and they specifically held this out for consideration at a later date. So it was subsequent to the enactment of the 1952 act, probably in late 1954, that the so-called coordinating committee was reconstituted again.

This time Judge Rich was asked to be the chairman of the committee and he took over in that capacity.

I might add at that time he was not on the bench. This was some years prior to his appointment. He was then still a patent practitioner.

Now, this committee was composed primarily of three very prominent and eminent patent practitioners, Mr. Albert Johnston of New York City, who formerly worked for the NRA back in the depression days, and while at the NRA he cut his teeth on this design problem by preparing a very extensive, oh, some 211-page study, I believe, of the problem of design piracy, and his interest has been pronounced ever since.

The second member of this committee was Mr. Philip T. Dalsimer, a New York attorney of very wide and very varied experience. The third member was George Frost, an attorney of Chicago, who, incidentally, was the lawyer who persuaded the Suprme Court to see his way in the famous landmark case of *Mazer* v. *Stein* which my statement deals with to some extent.

These three lawyers with Judge Rich as the chairman had the assistance of Mr. Pat Federico of the Patent Office and Barbara Ringer and your witness from the Copyright Office as technical advisers to this bill.

One of the things that the committee got into in its deliberations was the past history of design protection, and I was rather amazed to find that as far back as 1898 a committee of the House in effect recommended legislation to protect designs. Beginning in 1914, in this century, a number of bills were introduced in both Houses for this purpose and there have been over 50 bills since that date.

I hold in my hand two pamphlets which the Copyright Office prepared which are really a bibliography of the articles over the years dealing with the problem of design protection. The bibliography runs well over 200 pages. I think you can get some idea of the immensity of the problem from this, and I would like to offer it for the committee to look at, not offering it for the record. It is too bulky.

Senator BURDICK. We will accept it for the files.

Mr. CARY. Thank you, sir.

(The documents referred to will be found in the files of the subcommittee.)

Mr. CARY. For approximately 2 years following the enactment of the Patent Act of 1952, the so-called coordinating committee was more or less in a moribund state, but when Judge Rich was asked to take over in late 1954, it began to work on the design problem and with the members that I mentioned participating, many meetings were held with the full committee, the drafting subcommittee, with other groups, and much effort was expended on the part of the drafting committee in preparing various drafts for consideration.

Finally, in 1957, a bill was produced which was introduced in the House by Chairman Willis of the Patent Subcommittee in that body. As his remarks in the Congressional Record will indicate, this bill was introduced purely for dissemination purposes so that people could begin to consider this and talk about it.

After the introduction by Mr. Willis, several other bills subsequently came into being and as far as the Senate is concerned, in 1960 this subcommittee held hearings on S. 2075 and S. 2852 which had some differences in their makeup, but the parties got together and agreed on their differences, as it were, so that in 1961, the hearings that the chairman has mentioned were held by Senator Hart on S. 1884. That bill, of course, passed the Senate in 1962 and a subsequent identical bill, S. 776, passed the Senate in 1963.

So as a practical matter, S. 1237 that now is before you is a distillation, one might say, of the original bill drafted by the coordinating committee with certain changes made as a result of public reaction to it.

Well, this more or less completed the work of the coordinating committee and it hasn't been too active since the introduction of the bill. At the time in 1958 an activist group, you might say, was organized to promote the bill through the Congress. This was the National Committee for Effective Design Legislation which is headed by Mr. George Lucas who is in the room today and has as its counsel Mr. Alan Latman, whom you will probably hear from later.

However, the expertise of this coordinating committee may still be considered available to your committee at any time and I am sure that I can speak for the drafting committee in saying that we will be very happy to give you any assistance that you may find necessary in your deliberations.

I think you can see that this bill is not something that was lightly conceived or hurriedly drawn up overnight. It is the product of a number of years' discussion, debate, analysis, and dissection.

Now, I would like to touch briefly on the matter of who favors the bill and who is against it.

The 1961 hearings will disclose that in addition to the Copyright Office and Patent Office, who were on record as favoring the bill, there was a large segment of industry from around the country that appeared in its behalf. This included many small businesses, I might add. One of the dramatic moments to me of the 1961 hearings was the appearance of the former Senator O'Mahoney who came in to tell the committee that this bill bore his imprint and that he thought it was a good bill and that it should be enacted.

The present minority leader of the House, Hon. Gerald Ford, also appeared at those hearings and endorsed the bill, pointing out that

this bill was identical to one which he himself had introduced in the House.

The 1961 hearings will also disclose that the American Patent Law Association had approved a resolution which approved the purpose, and, in general, the principles which underlie the provisions of S. 1884.

Now, at that time, in August 1961, the American Bar Association had taken no action with repect to the bill and I would like the record to show at this time that the American Bar Association, by action of the house of delegates, on February 20, 1962, did enact a resolution which favored the principles of S. 1884 and the related House bills and in addition urged that the passage of the bills be recommended.

I read this from page 181 of the 1962 reports of the American Bar Association, volume 87. And I would like to offer for the record a photo reproduction of the relevant pages from this report so that the record will show that the American Bar Association has approved this.

Senator BURDICK. Without objection, so received.

(The document referred to follows:)

ANNUAL REPORT OF THE AMERICAN BAR ASSOCIATION, INCLUDING PROCEEDINGS OF THE EIGHTY-FIFTH ANNUAL MEETING HELD AT SAN FRANCISCO, CALIF., AUGUST 6, 8–10, 1962

Volume 87

RESOLUTION

A second resolution recommended Association approval of pending legislation providing for protection of industrial designs. Mr. Hume explained that, although industrial designs are now protected by the design patent law, the new legislation would provide a more suitable protection in the form of a registration system with enforcement by the courts. The resolution was adopted by the House as follows:

Resolved, That the Association approves the principles of bills introduced in the 87th Congress, First Session, for the protection of original ornamental designs of useful articles, which bills are identified as the Hart-Wiley-Talmadge bill, S. 1884; the Flynt bill, H.R. 6776, and the Ford bill, H.R. 6777, and

Be It Further Resolved, That the passage of said bills is recommended.

Patent, Trademark and Copyright Law.[31] James P. Hume of Illinois, Section Delegate, moved adoption of a resolution recommending House approval of amendments to the Section's by-laws. The proposed amendments, designed to update the Section's bylaws by deleting obsolete provisions and incorporating changes to include new officers and a chairman-elect, were approved by House vote.

Resolved, That authorization is given to communicate this action to the appropriate committees in the Congress.

REPORT OF THE SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW

RECOMMENDATION*

Resolved, That the Association approves the principles of bills introduced in the 87th Congress, First Session, for the protection of original ornamental designs of useful articles, which bills are identified as the Hart-Wiley-Talmadge bill, S. 1884; the Flynt bill, H.R. 6776, and the Ford bill, H.R. 6777, and

Be It Further Resolved, That the passage of said bills is recommended.

Resolved, That authorization is given to communicate this action to the appropriate committees in the Congress.

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[31] The full report of the Section appears at page 400 of this volume.

*The recommendation was adopted. See page 181 of this volume.

REPORT

S. 1884, H.R. 6776, H.R. 6777

87th Congress: Statement of Need

The proposed statute would provide protection for industrial designs, covering a field lying between copyright and patentable "ornamental" designs protected under current law. There has been an increasing demand from industry for some short-term protection to prevent piracy.

The only legislation ever enacted for the specific purpose of protecting the ornamental designs of useful objects has been the design patent laws. They are an integral part of the patent law, Title 35 United States Code, the main purpose of which is the protection of inventions in the fields of mechanics, electricity, chemistry and the like. It is the policy of that law, covered by express provisions, not to grant patents on such inventions unless they are new, useful, and unobvious to one of ordinary skill in the relevant art. The Patent Office exists to pass on those requirements, which is a time-consuming process, with an examining corps of about 1000 technically educated people. Most of the time and effort is spent in searching for novelty and arguing about unobviousness. The design patent law, as an integral part of this code, states that:

"The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided (35 U.S.C. 171)."

The principal things "otherwise provided" are that designs must be "oranmental" rather than "useful" and the term of the patent is different. As with other inventions, however, novelty is required and a search must be made to determine it; and the design invention must be unobvious to one of ordinary skill in the art, who would presumably be a designer by profession. This latter requirement is usually called the requirement for "invention," a requirement that there be some undefinable quality present which in the case of a patent on a machine, for example, is to be distinguished from mere mechanical skill, or what would be obvious to a mechanic familiar with the type of machine involved.

It will be appreciated that the major problem this law presents is how to determine that any given completed ornamental design would have been unobvious to a professional designer of ordinary skill or competence as a designer or would involve "invention." Added to this are the many adjudications that the so-called "standard of invention" is the same for design inventions as it is for all others, engines, chemical compounds, processes and radio circuits. The situation is, and always has been, anomalous and very difficult in administration. Patents for designs have been difficult to obtain and more difficult to sustain. Many have felt a design patent is not worth the effort required and that the protection is illusory.

The other main problems in design patents have been the expense involved, which might average at least $100 each under present conditions, and the time it takes to get them issued. The Patent Office has greatly reduced the delay but it would still be a matter of several months in the average case. This is to be contrasted with registering the copyright in a book. The process is so simple a clerk can do it, the cost is $4 and the time taken is about a week, whereas to get a design patent a lawyer usually must be employed. Moreover, by law the protection by copyright begins with publication and one can register later.

Many designs, which require the time and talents of designers to produce but which cannot pass the uncertain test for "invention" or unobviousness, therefore go without protection and this, taken with the uncertain validity of design patents, has created a situation in which piracy of designs is rife. This is discouraging to the development of good design in the United States. This state of the law is not in the best interests of consumers or the national economy or conducive to business morality.

On the other hand, the copyright law, which was not designed or intended to cover designs of carpets, wallpaper, coffee pots and the like, contains a provision for "works of art" which is being increasingly utilized by those who find the design patent law unsatisfactory. Nearly everyone agrees that copyright is inappropriate for this purpose, in that:

(1) Fifty-six year protection, which the copyright law provides, is much too long for designs from all points of view.

(2) Ordinary copyright protection is too broad in scope. For example, in a recent textile case, a presumably innocent, non-manufacturing retail vendor was held liable for copyright infringement. *Scarves by Vera, Inc.* v. *United Merchants and Manufacturers, Inc.*, 173 F. Supp. 625 (S.D.N.Y. 1959).

(3) The formal requirements of the copyright law do not fit the design situation. For example, the notice provisions create innumerable problems, and protection ordinarily is not lost even it there has been no registration in the Copyright Office.

(4) Most important is the fact that at its present state of development the copyright law protects only those designs which can be separately identified as "works of art," and excludes esthetically superior designs of useful articles. This distinction is difficult to justify on grounds of logic or policy.

In between copyright and the clear-cut field of patentable designs is what is probably still the bulk of the design field. The void in protection for this field has not been effectively filled by the law of unfair competition. Accordingly, we have an area where encouragement for design by limited and reasonable protection is lacking and the law of the jungle prevails, creation being stifled by the knowledge that as soon as a newly created design proves to be a commercial success it will be copied ("knocked off," in the parlance of the trade) by those who were put to no pains or expense in its creation or market testing.

The main purpose of S. 1884, H.R. 6776 and H.R. 6777 is to create a more equitable, practical and workable law for the protection of ornamental designs than the inequitable conglomerate we now have, namely, inadequate patents, overprotective and ill-fitting copyright and a great middle ground still inadequately provided for.

It is submitted that this improvement in the statutory law would be in the public interest as a needed corrective.

Respectfully submitted.

JOSEPH GRAY JACKSON, *Chairman.*

APPENDIX

SUMMARY OF THE PROVISIONS OF DESIGN PROTECTION BILLS

S. 1884, H.R. 6776, H.R. 6777

87th Congress

On May 4, 1961, H.R. 6776 and H.R. 6777 were introduced into the House of Representatives by Representatives Flynt and Ford. On May 16, 1961, S. 1884, a companion bill to these identical House proposals was introduced in the Senate by Senators Hart, Wiley and Talmadge. These proposals like their predecessors, which date back to the Willis Bill (H.R. 8873, 85th Congress), differ from the present copyright law in most details but can generally be said to rest upon copyright principles. Basically this means two things:

(1) A design can be protected if its author created it, *i.e.*, if the design is one which has not been copied from someone else's work or from a design in the public domain. The protected design need not meet any test of novelty or inventiveness. But the design cannot be so staple or commonly known as to lack a minimum of creativity.

(2) The original designer is protected only against the unauthorized *copying* of the substance of his protected design. If the author of a similar design proves that he created it independently, rather than through copying, no infringement has taken place.

The other key provisions of these bills may be summarized as follows:

(a) *Duration of protection:* Five years with an optional second five year term.

(b) *Commencement of protection:* Protection begins upon the public exhibition, sale or offering of an article embodying the design. This is called "making known" the design.

(c) *Registration*: A claim to protection must be registered in a government office within six months after the design is made known. There is no requirement of a search or comparison with earlier designs, but a proper party is given an opportunity to petition the administrator for cancellation of registration of a design not subject to protection.

(d) *Notice:* Protection is not forfeited if the prescribed form of notice is omitted, though omission may sharply limit the design owner's legal remedies against infringers. The requirements as to form and position of notice are very flexible.

(e) *Infringement:* The design owner may generally recover from anyone who, without his authority, purposefully makes or imports articles embodying a copy of the protected design.

(f) *Remedies:*

(i) Injunction;

(ii) Damages, which the court can increase three-fold;

(iii) Possible forfeiture or destruction of all infringing articles, plates, molds, etc.:

(iv) Recovery of costs and possibly attorney fees.

These summary highlights must be read in conjunction with the more detailed analysis which follows. This analysis will consider each section, substantially in order, and will include such explanatory and illustrative material as appears necessary to present the main provisions of the bill. An attempt has been made to refrain from subjective interpretation.

Section 1. *Designs Protected*

The bill protects the creators of original designs and those to whom they assign their rights. The designs covered are those which are intended to give an *ornamental appearance* to a *"useful"* article, that is, an article having some utilitarian, as distinguished from merely decorative, function.

Section 2. *Designs Not Subject to Protection*

Section 3. *Revisions, Adaptations and Rearrangements*

No protection is available for a design which is so common that it is incredible to claim it was created without copying from the general fund of material called the public domain. Neither can there be protection for any other design which is in fact copied from the public domain. Nevertheless, one who adds creative material to a public domain design is entitled to protection by reason of his contribution, but he cannot prevent others from making their own adaptations of public domain design. A design dictated *solely* by the function of the article is not subject to protection.

Section 4. *Commencement of Protection*

Protection under the bill commences as soon as an article embodying the design is exhibited, distributed, sold or offered by its proprietor to the public.

Section 5. *Duration of Protection*

Protection continues for five years but may be extended for a second five year term. Since the protection applies to *designs* rather than articles, a five or ten year period is all that is available regardless of the number of different types of articles embodying the design.

Section 6. *The Design Notice*

The notice consists of three elements: (1) specified words or symbols indicating a claim to protection (for example, "(D)"); (2) the year of the date protection commences; and (3) the name or other appropriate identification of the proprietor. The registration number can be substituted for the year and name.

Any reasonable location for the notice is permissible. The bill contains examples of reasonable locations in the case of repetitive or continuous designs on sheetlike materials.

Section 7. *Effect of Omission of Notice*

The omission of the notice does not forfeit the right to protection, although it limits the proprietor's rights against unauthorized users. In such cases the proprietor must give written notice of protection to any person he seeks to sue for infringement. He cannot recover damages for any unauthorized act undertaken before the receipt of the notice. And in order to prevent the defendant from continuing, the proprietor must reimburse the defendant for his expenses incurred prior to the receipt of such notice.

Section 8. *Infringement*

Basically, infringement consists of copying a protected design and incorporating it in a useful article, for business purposes, without permission. To con-

stitute an infringement the article need not be an identical replica, but it must borrow something more than the general idea, theme, or trend reflected by the protected design. Publishing or exhibiting a picture of a design is not an infringement.

Unauthorized manufacture of an article embodying the protected design does not result in infringement in all cases. There is no liability if such article was created without actual knowledge of the protected design, since only *copying* is prohibited. Likewise, a manufacturer who acquires an infringing article in the ordinary course of business and incorporates it in his goods is not generally liable. And no infringement exists where the only features copied are those dictated by the utilitarian function of the article or those which are in the public domain.

Importation, as well as manufacture, of an infringing article is generally infringement. However, merely selling an infringing article constitutes infringement only under very limited circumstances. If the seller had no significant role in the manufacture of the infringing article, he will be liable only if he refuses to disclose his source and reorders after written notice of the protected design.

Although the defendant cannot prevail merely by showing a similar work antedating the plaintiff's design, he can thereby shift the burden to the plaintiff to show that the plaintiff did not copy from the preexisting work.

Section 9. *Application for Registration*

Section 10. *Benefit of Earlier Filing Date in Foreign Country*

Section 11. *Oaths and Acknowledgements*

An application for registration *must* be filed within six months after the design is made known or protection is lost.

The information to be set forth in the application must include a statement as to the useful function of the article in question, though errors in this regard are not fatal. Similar flexibility is provided for the naming of the individual creator or creators. The application must be accompanied by two copies of an appropriate reproduction of the article, as well as by an affidavit setting forth the originality of the design and the applicant's entitlement to protection under the statute.

Section 12. *Examination of Application and Issue or Refusal of Registration*

If the administrator determines that a design on its face is subject to registration, he registers the design. If the administrator does not so find, he is to notify the applicant who may request reconsideration. At any time after registration a person who believes he is damaged by the registration may petition for its cancellation which is to be ordered, where appropriate, by the administrator.

Section 13. *Certificate of Registration*

The certificate is prima facie evidence of the facts required to be stated therein and is admissible in evidence.

Section 14. *Publication of Announcements and Indexes*

Section 15. *Fees*

Section 16. *Regulations*

Section 17. *Copies of Records*

Section 18. *Correction of Errors in Certificates*

Section 30. *Administrator*

The government office charged with the administration of the new law is not presently specified in the bill. The administrator is to:

(a) Register proper claims,

(b) Issue ceritficates of registration containing a reproduction of the design and pertinent dates,

(c) Publish periodically lists and indexes and his intention or refusal to register designs and also maintain files of registered designs,

(d) Collect fees for registrations, certifications, and recording of assignments (the amounts of the fees have not yet been inserted in the bill),

(e) Issue appropriate regulations, and

(f) Furnish copies of records.

Section 19. *Transfer of Ownership*

The property right in a design may be transferred by an instrument in writing. If the original owner attempts to transfer the design to a second purchaser or mortgagee who does not know of the earlier transfer, the first purchaser will lose his rights as against the second purchaser unless he recorded his transfer in the office of the administrator within three months of its execution or prior to the second transfer.

Section 20. *Remedy for Infringement*

A certificate of registration is a prerequisite to suing for infringement.

Section 21. *Injunction*

Section 22. *Recovery of Infringement and so forth*

Section 23. *Power of Court over Registration*

The court can prevent further infringement by issuing an injunction. The court may also order the destruction of infringing articles, plates, molds, etc., may order cancellation of a registration, and may award attorney fees to the prevailing party. In addition, a successful plaintiff is entitled to adequate damages and costs for any infringement committed within three years before the commencement of the action. The court may increase such damages as much as three-fold.

Section 24. *Liability for Action on Registration Fraudulently Obtained*

Section 25. *Penalty for False Markings*

Section 26. *Penalty for False Representation*

Intentional use of a design notice to mislead the public into the erroneous belief that the design is protected is subject to a fine of as much as $500, which is divided between the United States and whoever sues for this penalty. Fraudulently obtaining or preventing registration leads to a fine of from $500 to $1,000, and forfeiture of any rights in the design. A party sued on a fraudulent registration can recover up to $1,000, in addition to costs and attorney fees.

Section 27. *Relation to Copyright Law*

Section 32. *Amendment of Copyright Law*

Basically, the bill neither expands nor contracts the scope of copyright coverage or protection. Copyrighted works which are subsequently utilized as designs for useful articles are specifically made eligible for protection under the bill. Thus, although a copyright proprietor utilizing his artistic work in this manner is not required to rely solely upon the design law for protecting his work as embodied in useful articles, he is afforded the opportunity to seek that type of protection. Where the proprietor of copyright in a work later embodied in a useful article *obtains registration* of the resulting design under the bill, he cannot thereafter claim copyright protection in *useful* applications of his work.

Moreover, "useful articles" as such would no longer be subject to copyright *deposit*. This deposit limitation does not affect whatever protection might be afforded to "works of art" under copyright law when such works are embodied in useful articles."

Section 28. *Relation to Patent Law*

The new design protection does not affect the availability of design patents to those design inventions which qualify. Protection under the new law would, however, terminate as soon as a design patent issues.

Section 29. *Common Law and Other Rights Unaffected*

Common law rights in designs not made generally known, trademark rights, and the right to be protected against unfair competition are not affected by the design bills.

Section 35. *No Retroactive Effect*

The new law will not apply to designs made known before the effective date of the new law.

Section 34. *Time of Taking Effect*

Section 36. *Short Title*

The Act takes effect one year after enactment.

Mr. CARY. Now we might get to the problem of who opposes the bill.

In 1961 there was a letter in the record from the Department of Justice which expressed its objection to the bill, mainly on the basis that the Department consistently has opposed legislation, the purpose of which is to except certain practices or acts from the antitrust laws.

The Small Business Administration did not either favor or oppose the bill at that time but reserved its position. However, in the 1963 hearings in the House, the Small Business Administration had by that time made up its mind that it was for the bill. So it has expressed its endorsement of the bill.

Perhaps the most significant opposition to the bill did not arise until after the Senate had passed S. 776 in December 1963, and the House had under consideration the identical bill at that time, shortly after the passage by the Senate.

According to the trade press, the National Retail Merchants Association strongly objected to the enactment of the bill and apparently this may have been the reason why no further action was taken by the House, although the House committee did report the bill out with an amendment.

Now——

Senator BURDICK. Will you tell me briefly what their opposition was based on?

Mr. CARY. Yes. As I understand it from the trade press, the retailers felt that this was a bad bill for a number of reasons. Perhaps they can speak better than I as to why they felt it. I would like to point out something that rather surprises me about their objection. If their objection is directed to the problem of liability of an innocent vendor, then, of course, this is a mistaken objection because the bill specifically in section 8 provides that the vendor of an alleged infringing article is not going to be held liable for any infringement penalties unless he induced the manufacture of the infringing article or refused to disclose his source after reordering. Specifically, he could sell every item he has in his stock that was alleged to be an infringing article without any fear of violation of the rights of the design owner.

He could even reorder the article, stock his store again with it, provided he advised the claimant to the design protection of his source of supply.

This bill is not aimed at retailers. As a matter of fact, the specific exemption for retailers was put in there by the coordinating committee because it was convinced in its own studies that one of the reasons the bills in the past had not been successful was that the retailers had objected, and rightfully so. We did not feel that an innocent vendor should get stuck because he was selling something that was allegedly an infringement.

So, as I say, I am rather surprised that the retailers would object to a bill which does not affect them unless they actually induce the manufacture of the article.

Senator BURDICK. I might say I just noticed that they are on the witness list and perhaps we will let them present their case.

Mr. CARY. I think they could do it much more effectively than I could.

Thank you.

56-396—66——4

So their objections, as I see it, cannot be based upon the fact that retailers are going to be hooked, as it were, by this bill. There must be some other objections. I would hope that the objections would not be based upon any unsubstantiated fears that are frequently encountered in almost any new type of legislation. I am certain the committee has heard arguments such as these on many occasions, such as the bill is unconstitutional, it is vague, it is ambiguous, and it will result in an increase in litigation, the bill will contribute to price increases, it will shackle the arteries of commerce, and so forth.

Now, these types of groundless fears seem to me were very adequately answered by the many witnesses that appeared in the 1961 hearings, and I commend this to your reflection.

In summary, then, I would like to merely point out the wide scope of general support for this bill from the Government, industry, and the bar. Not to be lightly dismissed is the fact that the Senate itself has passed the bill on two occasions. And finally, the essential fairness and equity of the purpose and intent of this bill which is really to provide an incentive for designers to create a product. It assures them a small measure of protection during the expected life of the design. In this way it seems to me that it is really the consummation of the constitutional provision which authorizes the Congress to enact legislation which will protect authors and inventors for a limited time in their discoveries and writings in connection with the promotion of the progress of the useful arts.

I should like to think that upon reflection the retailers will see that this bill is not going to harm any of their legitimate activities.

This bill is not an onslaught on competition, nor does it shackle the articles of commerce. It merely quarantines business conduct which is abhorrent to good conscience and the most elementary principles of law and equity.

I would like to conclude my remarks by thanking the committee for hearing these remarks.

Senator BURDICK. I would like to thank you, sir, for the summarization. Thank you very much. I am sure the committee appreciates it also.

Just one question I would like to ask. Isn't it a fact that designs are now protected under a section of the patent law?

Mr. CARY. Yes, under the design patent law. In my statement I deal with this. Briefly one of the objections to the design patent law is that the design must possess novelty and invention. This is why the courts do not always uphold the design patents. And another of the objections to it is that it takes a long time, relatively speaking, to obtain the patent so that a designer who is interested in protecting a commercial design which may have a life of only a few short months finds the design patent does not suit his purpose because by the time he gets the patent, the design is no longer commercially viable. If it should be and he has to go to court on it, the chances are that the courts are not going to uphold his design patent because either there is no novelty or there is a lack of invention.

This is one of the difficulties, and this is one of the real reasons why this bill was drafted. This bill, I might add, is founded on copyright principles, not patent principles, and it was felt that in this way a quick economical method of protection could be obtained based upon

principles that have been in the copyright law for many, many years and which the courts are quite familiar with.

Senator BURDICK. You use the phrase "the law, no quick and adequate protection under the law for this type of design"; is that right?

Mr. CARY. That is right.

Senator BURDICK. Thank you very much, sir.

(The statement of Mr. Cary follows:)

STATEMENT OF GEORGE D. CARY, DEPUTY REGISTER OF COPYRIGHTS

Mr. Chairman, my name is George D. Cary, and I am the Deputy Register of Copyrights.

The interest of the Copyright Office in S. 1237 is twofold:

(1) The bill fills a gap now existing between two kinds of statutory protection, copyright and design patent. It thus remedies a number of uncertainties and anomalies that exist under the present law.

(2) The bill, in one of its provisions, amends the current copyright law in an important respect.

The Copyright Office, which supplied some technical assistance to the committee which drafted the bill, is therefore hopeful that the bill will become law. Such action will fulfill a need which has for many years gone unremedied.

The provision of the bill that is of most immediate interest to the Copyright Office is section 32, which concerns a very vital phase of our everyday activities namely, the many problems involved in examining and registering designs under the copyright law. Ever since the decision of the Supreme Court in *Mazer* v. *Stein*, in 1954, we have received an increasing number of "works of art" which in fact embody useful articles such as lamps, costume jewelry, toy dolls, textile fabrics, and the like. While later cases have helped to clarify the scope of this decision, uncertainties as to what is copyrightable and what is not copyrightable in this field still abound, and the problems of fitting the deposit of useful articles into the existing registration system are encountered constantly.

Section 32 of this bill would permit the Office to refuse to accept for deposit all useful articles; deposits would be restricted to pictorial, graphic and sculptural works. The Office would thus not be required to accept such things as bedspreads, rugs, drapery material, wallpaper and similar articles. At the same time, section 32 includes statutory affirmation of the doctrine of Mazer, namely, that where the proprietor of a copyrighted pictorial, graphic, or sculptural work subsequently embodies it in a useful article, the copyright protection is not thereby affected or endangered in anyway.

Another provision of section 32 would permit a copyright owner of a "work of art," at his election to obtain the protection of the design bill by registration under the provisiosn of that legislation. The effect of this action would be to terminate the copyright protection with respect to its utilization in useful articles. However, protection against the use of the copyrighted work in other works of art would endure for the life of the copyright. We welcome and heartily endorse these clarifying provisions.

The basic problem of filling the gap between design patent and copyright raises a number of questions, and it seems appropriate to briefly comment upon a few of the more important of them.

(1) What are the essential features of the design protection bill?

At the outset it should be emphasized that the bill is based primarily on copyright principles, and where litigation becomes involved, the courts have many copyright cases to serve as precedents.

Protection of the bill is obtained by the applicant's own act of making public the design after it has been embodied in a useful article. The protection commences from the date of making it public and endures for 5 years, with a possible renewal of another 5 years. The design is required to bear a notice but its omission, while sharply limiting the owner's remedies, will not forfeit protection. However, if registration is not made within 6 months, protection is lost altogether.

Protection is not available for designs that are staple or commonly known, such as geometric figures and other designs which clearly possess no creative element. However, the Administrator is required to register all designs that appear on their face to meet the requirements of the law. These designs are to be published by the Administrator in a manner which will make the general

public aware, within a relatively short time following registration, of the claim to protection. If someone believes he will be damaged by registration made for a design not subject to protection, he may request the Administrator to cancel the registration. If, after investigation, the Administrator determines that the design does not meet the requirements of the act, the registration is canceled.

Another protective feature is that the bill safeguards those who innocently sell or distribute an article which is said to infringe another. It is only the manufacturer or importer—the individuals who are in a position to know when an article is actually an infringing copy—who are subject to the penalties of the bill. In short, the bill in question "is not an onslaught on the currents of competition: it does not impose shackles on the arteries of enterprise. It simply quarantines business conduct which is abhorrent to good conscience and the most elementary principles of the law and equity."

(2) *Since the bill is based upon copyright principles, would it be more practical merely to rely on the copyright law for protection of such desgins instead of setting up an entirely new administrative scheme?*

Designs reperesent a special type of creative work and they require a special type of protection, more flexible and easier to acquire than design patent, but shorter and more limited than copyright. For example, the term of copyright protection, 56 years, is much too long for most designs. Designs are generally more ephemeral in nature than musical compositions or motion pictures, for example. Thus, it would be unconscionable to afford a 56-year term of protection to a design with a life expectancy of a few months or at most several years.

In addition, copyright protection is too broad in scope for designs. For example, there seems to be no reason why an innocent retailer of an article in which is incorporated a protected design should be held accountable as an infringer merely because he sold an item purchased in good faith without knowledge of its infringing characteristics. In the field covered by copyright, vendors have been held liable for infringement, but under circumstances which are not compatible with the usual situation confronted by retailers.

Finally, the copyright law offers protection only to those designs which can be identified as independent "works of art." Many designs of useful articles do not qualify as copyrightable works and are therefore unfairly and illogically denied protection. This is perhaps the major reason why a new sui generis type of protection is needed.

(3) *Why would not the present design patent law be sufficient?*

One of the main deficiences of the design patent law as applied to designs is that an extensive search must be made in the Patent Office in order to determine whether the design is "novel.' I understand that the time between filing and issuance is about a year. Thus, even when the design patent is eventually granted, the design in many cases is no longer viable. Moreover, assuming that the design still possesses commercial potentialities at the time of issuance of the patent, one would have to face the harsh fact that design patents have been wholly unsuccessful in court. If the design patent became involved in litigation there would be a great likelihood that it would be declared invalid, either on the count that it is not novel, or that it did not meet the rigid requirement of "invention."

Not the least of the deficiencies of a design patent protection is its cost, which may average about $100. Contrast this with the $4 fee required to obtain a copyright registration, and it is not difficult to understand the dissatisfaction of many designers with the design patent system.

(4) *What are the circumstances surrounding the drafting of this bill?*

The demand for more effective protection of designs predates this century. As early as 1898 the House Committee on Patents, in reporting a bill to give copyright protection to designs, stated:

"* * * the law should recognize and reward by protection the artistic conception, irrespective of whether the ultimate purpose of the artist or proprietor is to execute and multiply the conception for purposes of decoration as a work of fine arts or to associate it with some article of manufacture in trade or commerce" (H. Rept. 691, 55th Cong., 2d sess.).

In the present century, the record reveals that since 1914 more than 50 bills have been introduced in the Congress for the purpose of protecting designs. One passed the House in 1930. Another bill covering revision of the copyright law included a provision for the protection of designs; this bill passed the Senate in 1935. And the Senate has as recently as 1962 and 1963 passed bills which are substantially identical to the one presently under discussion. So you can see that the subject of design protection has a long history. As a matter of possible

interest, I have with me 2 rather sizable pamphlets, totaling about 230 pages, which constitute a bibliography of materials written on the subject of design protection. I offer these to the committee, not for inclusion in the record, in view of their length, but for purposes of information.

As to the origin of the particular bill before you, I should like to remove my hat as Deputy Register of Copyrights and speak to you as a member of a committee which was involved in the drafting of the bill and tell you how it came about. What I have to say could be better said by Judge Giles S. Rich of the Court of Customs and Patents Appeals, who headed that committee, but since he was unable to appear here today it seems appropriate that I pass along to the committee the substance of what he would have told you had he been able to be present.

The Patent Act of 1952 was drafted largely by a group of patent lawyers in cooperation with Government lawyers from various departments and was based on a draft prepared for the subcommittee of the House by Mr. Pat Federico of the Patent Office. This group of experts was gathered through the medium of the National Council of Patent Law Associations, which was the fountainhead of about two dozen local patent law associations located in principal cities from coast to coast. That group was called the coordinating committee, and it had a small drafting subcommittee, of which Judge Rich was a member. I should add that at that time he was a patent practitioner and was not appointed to the court until some years later.

As Judge Rich has stated on previous occasions, the group of lawyers working on the revision of the patent law were aware that the problem of remedying the defects of design protection was a highly specialized problem of considerable complexity, and therefore no attempt was made at that time to change the law of design patents. This decision to do nothing about designs at that time was made with the intention to take up the design problem as a special project at a later date.

For approximately 2 years following the enactment of the 1952 Patent Act there was little activity in the design field. But in the fall of 1954 the coordinating committee was reconstituted in order to study the problem of protection of designs. The original chairman had resigned, and Judge Rich was asked by the chairman of the National Council of Patent Law Associations to take over the task, a job which he has held ever since. The original drafting committee was composed of highly qualified experts—Albert C. Johnston of New York, who, in 1936, when he was employed by the Government, cut his teeth on the problem with a 211-page study of design piracy for the NRA; George E. Frost of Chicago, the attorney who won the *Mazer* case in the Supreme Court; and Philip T. Dalsimer, a practicing lawyer of wide experience. Both Mr. Frost and Mr. Dalsimer, as well as Judge Rich, testified before this committee during the 1961 hearings, and I commend their testimony to your attention. This committee, headed by Judge Rich, had the assistance of Mr. Federico of the Patent Office and Miss Barbara Ringer and your witness from the Copyright Office. Thus, having been associated with the coordinating committee in an advisory capacity at its inception, I appear before you as one who is relating facts of which he is personally aware.

After several meetings of the full committee and meetings with other groups, and many meetings and much labor by the drafting committee, the culmination of these efforts was the introduction in the House, on July 23, 1957, over 2½ years from the commencement of the project, of the Willis bill, H.R. 8873, 85th Congress, 1st session. The remarks of Mr. Willis in introducing that bill, by request, appear in the Congressional Record for that July 23 at page 11320, and they show that the bill was introduced so that it might be widely disseminated and studied by interested parties with a view to hearings in a later session of Congress.

In June 1960, your committee held hearings on S. 2075 and S. 2852. In 1961, 3 days of hearings were held by your committee under the chairmanship of Senator Hart, on S. 1884, and subsequently, on July 23, 1962, that bill passed the Senate. On December 6, 1963, S. 776 passed the Senate without any hearings having been held, presumably because it was substantially the same bill which the Senate had passed the year before. Thus, as a practical matter, S. 1237 is the current distillation resulting from that earlier dissemination. In a real sense one might say that this is the original bill drafted by the coordinating committee, with certain changes made as a result of public reaction to it.

After introduction of the Willis bill the work of the coordinating committee as such had been completed, but that group's expertise has been and may still be considered available. In the event that your committee, after reviewing the testimony of Judge Rich and of Messrs. Frost and Dalsimer in the 1961 hearings, considers that it has need of further information for the committee or any member thereof, I believe I can speak for all of them when I say that their services are at your disposal.

From this summary, I believe your committee will appreciate that the bill before you is not a thing lightly conceived but is a bill into which literally years of effort by many qualified people have been incorporated. I do not recall how many drafts the bill went through, but each one was subjected to penetrating critical examination by the entire committee and by other associations which made their views known through committee representation. It is in truth a bill which has been tested in the crucible of lengthy debate and analysis, and I am certain that the members of the coordinating committee believe that this is the best possible bill that could be offered for your consideration.

(5) *Who favors and who opposes this bill?*

The 1961 hearings will disclose that in addition to the support of the Copyright Office and the Department of Commerce the bill received a broad-base support from widely scattered industries in the country, many of them being small businesses. The late Senator O'Mahoney, who had chaired hearings on one of the earlier versions of this bill, was present and affirmed that the bill had his "imprint upon it," and concluded that it was a "good measure and ought to be passed." The present minority leader in the House, the Honorable Gerald Ford, appeared and added his personal endorsement of the bill, which was identical to one he had introduced in the House.

The House of Delegates of the American Bar Association at its midwinter meeting on February 20, 1962, adopted a resolution approving the principles of the then existing design bills (S. 1884, H.R. 6776, and H.R. 6777) and recommended passage of those bills. Inasmuch as the bill presently before you is substantively identical to those bills, it can be said that S. 1237 has the endorsement of the American Bar Association.

In addition, the record of the hearings on S. 1884 contain a communication from the American Patent Law Association in which it "approves the purpose and, in general, the principles which underlie the provisions of S. 1884."

With respect to opposition to the design bill, the report of the hearings on S. 1884 is bare of any oral testimony in opposition. The hearings do, however, contain a letter filed with the committee by the Department of Justice, opposing the bill mainly on the basis that the Department "consistently has opposed legislation the purpose of which is to except certain practices or acts from the antitrust laws." The Small Business Administration reserved its position, but in later hearings in the House, in 1963, stated its approval of the measure.

Perhaps the most significant opposition to the bill did not arise until after the Senate passed the bill in December 1963 and it appeared possible that the House, which was then considering an identical bill, was also about to pass the bill. I refer here to opposition expressed by the National Retail Merchants Association, which has been the subject of discussion and comment in the trade press. In addressing myself to this source of opposition I should point out, first, that the bill in section 8 specifically excludes retailers from liability for infringement, so long as the retailer did not induce the manufacture or importation of an infringing article. He may even dispose of all stock on hand at the time he is advised of the infringing nature of his stock. He may even reorder and sell the alleged infringing material so long as he discloses the source of his supply. The bill does not seek to inflict penalties upon retailers; it is the manufacturer or importer that is to be held accountable. This, of course, is on the principle that one who knowingly and willfully copies the original work of another should be exposed to liability under the constitutional mandate for the protection of creative endeavor.

In summary, then, the committee has for consideration a bill that has been carefully drafted after much debate and analysis, has passed the Senate on two occasions, and has so far aroused little opposition. I am hopeful that the retailers can see that the bill does them no harm.

In conclusion, I have appended to my statement a few technical amendments, and I commend these to the committee's consideration.

I wish to thank the committee for inviting me to appear and discuss this bill, and I assure you it has been my privilege and pleasure to be here today.

APPENDIX TO STATEMENT OF GEORGE D. CARY, DEPUTY REGISTER OF COPYRIGHTS

(1) Section 33(a) contains a typographical error on page 24, line 12. The word "application" should be deleted and the word "applicant" substituted therefor.

(2) In section 33(b) an omission appears in subparagraph numbered (4), on line 22 of page 24. The identifying heading "(a)" should follow the number "1400", so that the reference would be to "section 1400(a)".

(3) In section 33(b), an omission also appears in subparagraph numbered (5). On line 24 of page 24 there should be added, following the word "invention", the words "described in and covered by a patent of the United States."

(4) In section 33(b), on page 25, line 18, the date "January 1, 1965" should be deleted and a realistic date substituted. Inasmuch as the bill is not to take effect until 1 year after enactment (sec. 34), it may be suitable to provide the operative date as "January 1, 1967," in both section 33(b) and in section 34.

Senator BURDICK. Mr. Albert B. Perlin, American Retail Federation.

STATEMENT OF ALBERT B. PERLIN, JR., AMERICAN RETAIL FEDERATION

Mr. PERLIN. Thank you, Mr. Chairman, gentlemen. I would like first to identify the source of these comments and I intend to summarize in a form which should not require much more than half the allotted time.

Senator BURDICK. Well, don't take me too seriously. I was just trying to finish this morning. Take all the time you need. Don't curtail your presentation by summarization if you can't do it that way.

Mr. PERLIN. Thank you very much, sir.

My name is Albert Perlin. I am vice president and general counsel of the J. L. Hudson Co., which is a department store concern in Detroit, Mich. We think we have been serving the Detroit community honorably and well for some 84 years. I have been involved in retailing in various legal and executive capacities for about 16 years.

But it is my privilege today to represent the American Retail Federation in the capacity of the chairman of the consumer relations committee of the federation.

We sincerely appreciate this opportunity to present our views. We think we can speak for our industry and perhaps can best speak for that industry because through its membership the American Retail Federation represents literally hundreds of thousands of retailers throughout the United States of all sizes and virtually all kinds.

They sell almost every every kind of consumer goods. They comprise a major part of the Nation's retail industry which employs more people than any other industry and has more direct contact with the American consumer than any other.

We have prepared and submitted a written statement which I would like to submit for introduction into the record at this time.

Senator BURDICK. Without objection, your full written statement will be a part of the record at this time.

Mr. PERLIN. There are four basic reasons why we sincerely believe S. 1237 would be substantially detrimental to the public interest.

First, it must be expected to increase the cost, reduce the selection and jeopardize the design quality and variety of consumer goods, all to the severe disservice of the legitimate interests of the Nation's consumers.

Second, it would interfere with production and distribution of consumer goods even to the extent of jeopardizing the very existence of entire existing industries.

Third, it would open a frightening "Pandora's box" of new opportunies for unfair and destructive forms of competitive techniques, leading to oppressive litigation on preempted design.

Fourth, it would cause grave and long-lasting uncertainty and market confusion by reason of its very doubtful constitutionality, its cumbersomeness, and its imposition of sweeping new concepts upon an already very complex body of patent, trademark, copyright, unfair competition and antitrust laws.

We realize, as the previous witness, Mr. Cary, said, that the origin of this law or of this bill, rather, had the attention of a great number of distinguished and capable gentlemen. We do not mean to impute improper motives to their activity in this regard. In fact, as a lawyer I am impressed that this is a very orderly and scholarly way to solve a legal problem.

We are not going to attempt to evaluate this as a legal issue. Our concern is purely practical and our approach is entirely pragmatic. We have studied the bill in the light of practical experience in the marketplace and based on a conviction that customers and retailers are of necessity practical people.

We have used that approach throughout our evaluation of this proposal. We suspect that the consequences we foresee or at least some of them were not anticipated by the sponsors or the draftsmen of this bill.

As the principal purchasing agent for the Nation's consumers, we believe that when problems of this kind become apparent to us, we are not only privileged, we are obligated to speak out on the subject.

There can't be any doubt that America's consumers and retailers have a very deep interest in the subject matter. Section 1 of the bill provides that its scope includes all articles which are useful, original, and attractive or distinctive. We have found very few customers and even fewer retailers who are very much interested in goods which are useless, unoriginal, unattractive, or undistinguished. For this reason we are convinced that virtually all of the consumer goods distributed by the American retailer and used by the American consumer are well within the scope of this intended legislation.

We will resist the temptation to illustrate by specific examples, the many and varied ways in which the consumers' interests would be adversely affected by the bill. A few are contained in our statement.

We will confine our comments on this point of consumer interest to a very basic economic evaluation. Obviously S. 1237 does not merely clarify or redefine existing law. It creates a new set of private property rights with full Federal court protection. Not only are no public rights created but under section 33 the Federal Government is specifically subjected to these new private rights.

Clearly there is no point in creating such extensive rights unless they are expected to be valuable. If they have an economic value, someone must pay the price. When concerned with consumer goods, those rights must inevitably become a cost of the goods and must just as inevitably be paid ultimately by the Nation's consumers, which is every one of us.

We are certainly not opposed in principle to private rights. However, we can foresee no economic benefit running to the Nation's economy or the Nation's consumers which would approach the high price inherent in this kind of approach.

Senator BURDICK. Would you at that juncture give me an example of this price increase?

Mr. PERLIN. Well, I have some further amplication of this.

Senator BURDICK. Fine.

Mr. PERLIN. Essentially, sir, I think that whenever additional procedures, additional rights of reimbursement, royalty, assignment, transfer, are involved in the production or distribution of consumer goods, these things have to be paid for. With each step in the distributive chain, the retailer, the wholesaler, the manufacturer, a markup is applied which exaggerates the costs occuring further down the distributive or further up the distributive chain.

If the costs have to be paid for in some manner, they are passed on by this process to the consumer. This is a fact that has been demonstrated, for example, this year in the manufacturer's excise tax. The elimination of manufacturers tax reduced the consumers price in most instances. This is the nature of the price increase.

Senator BURDICK. You don't say in all instances.

Mr. PERLIN. I don't know whether it is in all instances, sir. I would hope so.

We believe that whether it is couched in terms of consumers' higher prices or smaller selections or design restrictions, or any of the many other adverse consequences of this economic postulate, that the price which would be considerable is also too high.

We think our second ground for objection to the bill which is its restrictive effect upon commerce is also readily demonstrable from a practical viewpoint. Whether a Picasso print or newspaper cartoon character has been copied in a lamp base is a fairly easy thing to know and the intent of the copier is clear. In today's markets, design, fashion, style, whatever you wish to call it, is a part of almost every industry, even the most unlikely, and much of what we know as design, styling, and fashion is in fact dictated by uniform conditions applying to all designers over which they have very little control.

As a result of these common physical and economic limitations, things designed by competent designers to serve the purpose necessarily tend to look alike.

Fairly recent developments in metallurgy and production techniques have made it possible for designers to progress from rounded edges and corners on refrigerators and other major kitchen appliances, to more efficient and bult-in looking square, sharply rectangular designs. These have now become characteristic in the appliance industry.

Conversely, related industrial innovation made possible a change from boxy automobile body styles to curved, less wind resistant lines. Yes, refrigerator size and shape is dictated by typical kitchen space and cars retain four wheels.

Even modern plastic trash containers which succeeded their metal ancestors tend to be more decorative. They also permit more secure coverlatches and more sanitary smoothly contoured interiors. Wouldn't the first to apply plastic to this use have procured a virtually item monopoly with design protection?

To avoid monopolies of this kind, and near monopolies, undesirable and contrived designs must be expected. In practice, this could become a means of regulating bad taste and reduced usefulness as the price of avoiding costly or even economically fatal conflict.

In this current session of the Congress, an amendment to the Textile Fiber Products Identification Act was enacted to account for the fiber called Spandex which permits totally different concepts and different uses of textile fabrics with less than 5 percent of the new fiber included. Obviously when the Congress initially enacted this bill, they thought this kind of thing was impossible.

The law seemed to say so. These days of prolific design and innovation suggest that these designs and innovations will continue to change, and we cannot foresee that a bill of this kind would permit that change to be orderly and constructive without serious detriment to the consumer, without serious detriment to the disributive system.

It should require very brief thought to forecast the effect that this bill would have on the many replacement industries in the country. The expendable part of a basic product could produce for the original manufacturer or the first person in the replacement industry to register it, a practical monopoly for replacements.

If nothing more, no competitor's product could ever match and many could not even be made to fit. Exclusive design ownership of the width of a white wall tire would leave the owner of a damaged tire with three rather unhappy choices. He could buy a replacement the same as the original at whatever the man would determine that price to be.

He could buy another one that didn't match or could buy four of another brand. There are, then, the negative practical consequences that can be anticipated industrywide in one field after another.

In answer to Mr. Cary's question during his testimony, it is not the position of retailers that their direct liability is the principal source of our concern in reference to this bill. We recognize that the direct liability under this bill would be somewhat less severe than under the existing copyright laws.

Senator BURDICK. Is there any direct liability?

Mr. PERLIN. Yes, sir.

Senator BURDICK. If you are not a party to the transaction.

Mr. PERLIN. Yes, there is. The direct liability, however, is apparent only if you are familiar with the method of distribution and this is the next point I would like to review with you, if I may.

Senator BURDICK. Proceed.

Mr. PERLIN. This is the invitation that the bill seems to offer for destructive methods of practical competition. It has its foundation in practical experience. Each of us has had some experience with patent and copyright law in this area. A registered letter of warning or demand from a manufacturer, his lawyer, under section 8 of this bill promises a retailer a very unhappy set of choices. He couldn't possibly determine the merits or forecast the outcome of a close question between two manufacturers litigating an ornamental design. For years he wouldn't even know if the law were constitutional.

If he complied by withholding orders and if the case were resolved, for the defendant, both he and the defendant would suffer loss of protection and even net losses for which there is no recourse.

The suggestion was made earlier that the retailer may sell what he has on hand but he can only sell it if he can afford to promote it. Only if his supplies are adequate at the outset. This condition is frozen by the receipt of a letter under section 8 and we must recall that a retailer in general merchandise considers himself most fortunate if he can realize a 3-percent net return on sales. In a very insignificant and theoretical sense loss or detriment in this area can be extremely dangerous to the average small retailer.

If the retailer complies by disclosing his source of supply, two practical consequences are apparent to experienced observers. If the plaintiff is a competitor of the defendant, the prospect of obtaining a list of the defendant's customers could alone be worth the cost of bringing suit. Even providing certain kinds of defendants with details of the retail outlet patterns of their own products could enable them to exercise effective control of prices and merchandising activities against the retailers. The antitrust cases are replete with examples of the manufacturer exercising his ability to withhold supply as a means of regulating prices and merchandising techniques.

And if the store owner didn't comply with the plaintiff's demands at all, that is if he decided to reorder and decided not to disclose his source of supply and continued to sell the goods, he would be liable with the defendant. Under the Federal processes of discovery, it would be possible for a plaintiff under these circumstances to learn more about his competitor's activities, customers, and other means of doing business, including his design techniques, than under any other with which I am familiar.

An industry steel leader or one who is fortunate or capable enough to forecast steel trends or evaluate design limitations accurately could in effect preempt a season's market in advance. If a vulnerable competitor committed all of his design and productive facilities to a year's production or a season's production, a prima facie infringement, and the early bird then brought action and obtained a preliminary injunction under the bill, the decision in the case could be gruesomely academic. The defendant could be deprived effectively of his economic strength to contest or his ability to recover. This sort of thing could make even the timing of a design publication and registration a very fine and critical act.

To obtain multiple registrations the registrant need only produce and register one example of each and even that one apparently needn't work or do what it is purported to do. And the effects are not limited to the registered product. The designer of a single toy both would by this means apparently be enabled to injoin or demand royalties from the producer of a fleet of ocean liners.

The design, according to the act, would apply to related items so long as used in substantially the same form.

I hope that it doesn't require a diabolical turn of mind to conceive of a number of additional variations of this kind of destructive competition because without very much difficulty I can think of a number of them. We will only touch upon the fourth point in deference to the many legal experts who have commented upon some of the puzzling legal consequences of this bill and its predecessors.

The effect of this all-inclusive new concept when superimposed on existing laws and legal principles could be destructive and confusing in the extreme.

One lawyer, experienced in the workings of this system, suggested that as the first point for improvement of the bill that it be reentitled "Patent Attorney's Full Employment Code."

For example, the defendant in infringement suit seems to have the unique and material burden of disproving the plaintiff's right to monopoly. Further, a single registered design under the new system would apparently have a 10-year life when applied to its useful item and a 56-year life when applied as a work of art. Yet its practical value could expire in one brief season.

A very few of the many latent antitrust problems have been suggested above. The position of the antitrust division of the Justice Department suggests the importance of this issue.

The intended effect of a trademark registered as such under decorative form remains totally unclear to me because I understand that the registration of a decorative trademark applies both to the form and to the content of the mark, and whether this law would preempt the often critical protection of State laws in unfair competition seems at least equally and very disturbingly unclear as well.

The register of copyrights of the United States in 1960 testifying in reference to a predecessor of this bill said that by reason of the *Mazer* v. *Stein* decision the increase in copyright registrations of utilitarian object was 70 percent in 1960 over 1959. He observed that if the Copyright Office accepted all the registrations that came and opened the door wide, this figure might jump in a short time to many hundreds or even thousands percent increase.

S. 1237, we submit, would open the door immeasurably wider than any such case. We don't criticize the Copyright Office for its concern over this frightening administrative burden. We question most sincerely whether this mass of totally unscreened files could be managed effectively. Whether what is proposed in the bill could begin to cover the huge administrative and housing cost and mathematical probability of duplication and near duplication would make the registration themselves the worst potential enemy of those seeking protection under the law and those seeking to defend themselves from its operation.

We find ourselves in a most uncomfortable and unsought posture in this matter. We have no desire to defend piracy or cheating or parasitic competition or to interfere with the orderly development and administration of designs, patents, and related matters. We have a great deal to lose by improper or unfair methods of competition and we are very mindful that they do or could exist in the market. However, we truly wonder whether trading design piracy for design monopoly is a wise or even an even exchange. This kind of misconduct would achieve a level leaving no choice but regulation by Federal law and we are by no means convinced that this is the case in the industries with which we are familiar.

If it has, however, we would not intrude upon legislative efforts to correct it. But we do not believe that a hand grenade can be redesigned to do the work of a long-range, high-powered rifle and we think that the concepts of this act are inherently inappropriate to the complex and constantly changing and seasonally varied activity of the marketplace affecting retailers and consumers.

Undoubtedly some of the problems we see arise from the language and the procedures selected in this bill and very possibly some of these

could be cured. However, after very diligent effort we have been unable to escape the conclusion that the principal difficulty is conceptual, not legally conceptual but practically conceptual, and that the concepts of the bill simply will never work in this complex and changing context into which it would be inserted.

For these reasons we must and we do vigorously oppose S. 1237, not solely from a private interest viewpoint, not solely from a selfish viewpoint except long range because we think if the distributive system under free enterprise cannot effectively and efficiently serve the consumer, that it must be replaced by something else and we don't think there is anything else as good.

We think that this bill would interfere with the ability of retailers and consumers to serve their interests well and efficiently.

We deeply appreciate the opportunity of presenting our position on this point. We would be happy to attempt to answer any questions you may have.

Senator BURDICK. Thank you very much for your very informative testimony. I am sure that you have been with this problem much longer than I have. There are a few things that come to my mind for one who is not a professional in this field. But as I heard your testimony, where you told about the difficulties a retailer would have, receiving a registered letter from the manufacturer that there was an infringement, the thought that passes through my mind is, isn't this inherent in the whole patent system?

Mr. PERLIN. Yes, sir; it is inherent in the patent system but it is manageable within the patent system because novelty and originality and uniqueness are required before a patent can be obtained. There is an inherent restriction on the number of patents that can be obtained and each of them contributes a substantive value to the Nation and its economy.

Each thing that is registered as a patent is new and useful. We are speaking here in terms of fashion and style and design and I think the American public through our efforts as retailers and advertisers and manufacturers are already very style conscious.

We think that further attention to styling and fashion, while it may be helpful, is not necessary. There may be greater attention to durability and safety, and workmanship might be more worthy of the attention of the Congress than matters in this area. And this is why patents which have been a problem—there are industries, and I regularly receive letters from representatives of those industries, on design patents, particularly the thought that crosses my mind in the areas of women's foundation garments.

Litigation in this field and letters to retailers from manufacturers, lawyers, and representatives are quite frequent. When a lawyer sends such a letter to a retailer, particularly a smaller retailer, he thinks, now, let's see, I can either tell this fellow to fly a kite or I can do what he says and not take a chance on carrying the allegedly infringing product, and pretty soon the question may be resolved for him when a competitor of that same letter writer, or rather when a representative of that same letter writer shows up with a line that does not have a patent infringement affected by it.

We think they would be much more severe.

Senator BURDICK. Do you want to change the patent law?

Mr. PERLIN. No, sir.

Senator BURDICK. I want to say, this is very apparent in my mind at this point. Suppose you got this letter and company X says I have a design patent, on the articles you are selling. Cease and desist at this moment. All the problems that you related in regards to this bill would be narrowed down, would they not?

Mr. PERLIN. Yes, sir; except——

Senator BURDICK. Advertising, inventories, all the things you refer to.

Mr. PERLIN. It would. It would even be more severe. This bill is not quite as severe as Mr. Cary earlier testified as to the retailer, but the scope of this thing would be immeasurably greater. Now it is impossible to obtain a design patent in the vast areas within which it would be possible under this bill. The opportunities, the industries and the opportunities for this kind of difficulty would be increased immeasurably. In a large department store today, Senator, there are some 300,000 to 500,000 separate items disregarding differences in size and color. Each one of these is a potential source of difficulty under this bill.

Senator BURDICK. Well, as I say, it looks like we have got difficulties right now if we use our premise to the whole patent system, then.

Mr. PERLIN. There are difficulties. Perhaps they are worth the candle. In this area we think not because patents don't change that often. The subject matter of the patent is different. The difficulty to obtain and the time required to obtain them is much different. The testimony and the opinions in the cases on this subject have indicated, as I recall a case of Judge Learned Hand, in a 1929 or 1930 decision saying that he felt even if it were possible to register design patents of the type there involved which was a textile design good for one season that it would be practically and manageably impossible to do it. But in some areas it wouldn't be practically impossible and if someone wished to be that kind of a competitor because competition by litigation has been employed before the opportunities would be vastly expanded here.

Senator BURDICK. Well, you mentioned a case. I asked my wife what the difference was between a $25 dress and a $200 dress. It had the same material, had the same texture and same content, wool or whatever it was, and I was led to believe it was the design that made the difference. Now, if that is true, if some person or persons spend hours and hours designing an attractive dress that will sell, do you mean there would be no protection given to that designer who spent hours and days in perfecting something that is attractive.

Mr. PERLIN. I posed that same kind of question to some of the people in the dress business at the retailing end and their response surprised me. It was that the people who would most like not to see this kind of regulation imposed are the people who design the $1,500 and $2,500 dresses.

Senator BURDICK. You said $1,500; I didn't.

Mr. PERLIN. Well, I certainly hope my wife doesn't. But the style developments which occur now, we hope, in New York as well as Paris have been a highly lucrative field. They continue to come down with every season. They continue to demand high prices. One of the show-

ings in Paris requires a deposit of $1,500 simply to be there and see the dresses and a commitment to spend not less than that on the purchase of at least one of them.

Senator BURDICK. What would be the advantage of designing—at the moment we are on textiles and dresses—what would be the advantage of using a lot of brainpower and a lot of novel ideas for putting together an attractive dress when that could be sold on the rack in 15 minutes or 24 hours, copied. What would be the advantage of it?

Mr. PERLIN. Well, I would question whether it can be sold in that manner and the advantages are apparent. In the first place, distinction is something eagerly sought by people who can afford it and there is an abundant market for these new designs of dresses now, and they command very high prices. There are millions of American women today who wear copies of those dresses which originally cost that much but they aren't the same.

Senator BURDICK. Did you ever see a woman who saw herself in another dress? Did you ever talk to her.

Mr. PERLIN. Very definitely. It is an unpleasant experience. But these copies support an entire industry, and I wonder whether they really are copies. I wonder if they aren't adaptations. The dress which is made in Paris is made by hand. The material is individually selected. The dress which is sold and looks very much like it in this country is made by more mass production techniques, probably a great deal more machine work and perhaps different materials.

It is much like the story that is told of the Parisian woman's hat designer who took a bit of chiffon and wrapped it around a woman's head and told her it would cost her $200 for a hat to be made in that way. She said that is a terrible price for a bit of chiffon. He said the chiffon is free, madam.

The design itself has drawn its own rewards and it has drawn excellent rewards. There doesn't seem to be any shortage of new design. There doesn't seem to be a particular need to stimulate and if it is being imposed upon it would seem it could be regulated by direct means.

If it is an unfair method of competition then there are other unfair methods of competition which have been regulated directly without the creation of broad new private rights and the invitation of extensive private litigation for the enforcement.

Senator BURDICK. Senator Fong?

Senator FONG. No questions.

Senator BURDICK. Thank you for the very interesting testimony.

Mr. PERLIN. Thank you, sir.

(The statement of Mr. Perlin follows:)

TESTIMONY OF ALBERT B. PERLIN, JR., FOR THE AMERICAN RETAIL FEDERATION

Mr. Chairman and gentlemen, my name is Albert B. Perlin, Jr. I am vice president and general counsel of the J. L. Hudson Co., a retail department store concern which has been serving the Detroit, Mich., metropolitan area since 1881. However, I am appearing today on behalf of the American Retail Federation, in the capacity of chairman of its consumer relations committee. We sincerely appreciate this opportunity to explain our position on Senate bill 1237.

The American Retail Federation, as its name infers, is an association of 76 State and National retail trade associations. As such, it serves as a spokesman for hundreds of thousands of established and reputable retailers of all

sizes, throughout the United States, who sell virtually every kind of consumer goods. They comprise a major part of the Nation's retail industry, which employs more people than any other, and which distributes to its customers more than two-thirds of the tangible gross national product.

It is primarily from this viewpoint of "purchasing agent for the Nation's consumers" that we have very carefully examined Senate bill 1237. That examination has left us with no doubt that, if enacted, the effect of this bill would be seriously detrimental to the interests of the Nation's consumers, and to the ability of the manufacturing and distributive system to serve them efficiently and economically. For that reason, we appear in vigorous opposition to the bill.

We have reached this conclusion with extreme regret. Personally, I find myself in the unenviable position of a spokesman in opposition to a bill whose sponsors include two such admirable and distinguished gentlemen from my own State of Michigan as Senator Philip Hart and Representative Gerald Ford. I hasten to assure all concerned this is a gentlemen's disagreement upon principle, and in no sense intended as a personal criticism.

To add further to our general discomfiture, some of our respected friends in industries with which retailers have many close and valued relationships, have indicated support for some of the announced objectives of this bill. We have no doubt of their sincerity, and no desire at all that our efforts should serve to perpetuate any misconduct with which they are concerned. We do not profess to know, as they do, the problems of their respective industries, or their needs for assistance. Our consideration is necessarily confined to the very considerable effect of the bill, intended or unintended, upon retailers and their customers. These are things with which we do have some knowledge and experience.

As for the merits of the bill as a legislative proposal, we consider its language to be seriously vague, and to have many detrimental ramifications. However, we will restrict our comments to some of its direct effects in the areas of our immediate concern. If the committee should then have any questions concerning any elements of this statement, or of the bill, I will be delighted to attempt to respond to them.

The principal reasons for our opposition fall into four broad categories:

First, and we believe most important, the bill would be unnecessarily and materially harmful to the legitimate interests of American consumers.

Second, it would disrupt and impede orderly and efficient commerce in consumer goods and services.

Third, it would impair competition and create unwarranted new opportunities for unfair and destructive forms of competition.

Fourth, it is of very doubtful constitutionality, and would cause confusion and probable serious interference with the application and effect of existing Federal and State laws and legal principles.

To appreciate the effect of the bill upon consumers and retailers, we must first identify its scope. Section 1 declares that the bill applies to all articles which are useful and original, and attractive or distinctive. We have found few customers, and even fewer retailers, who have demonstrated any significant interest in goods which are useless, unoriginal, unattractive, and undistinguished. Therefore, we must conclude that the bill would encompass virtually all of the millions of items now available to consumers in the Nation's stores, and the tens of thousands of new and different items which are introduced every year. Clearly, the subject matter of the bill very much concerns us.

It is a commendable and consistent characteristic of consumers to want the best and most attractive products at the lowest possible price. Anything that adds costs in the production, distribution or sale of consumer goods must oppose those objectives unless it adds utilitarian or economic value at least commensurate with the cost increase.

The costs of registration, redesign for affixation of registry marks, and the use of those marks, label and package modifications, legal fees and litigation costs, and the other expenses which this bill would create must eventually be added costs of the goods and must ultimately be reflected in their price. We are mindful of no utilitarian or economic value to the consumer which would be added by this process to offset any of the increased costs. Any benefits which would result from these costs would very clearly be benefits passing to the registrants, and not to the public.

This brings us to a second, and even more basic, element of cost to the consumer. It is clear from the present condition of Federal and State laws that this bill does not simply redefine or clarify existing rights. It would unquestionably create entirely new and previously unknown private property rights, and legal remedies to enforce them in the interests of their owners. No new public right or remedy is acknowledged or created. It must be presumed that these new rights would be valuable; otherwise there would be no reason to create them, no reason to advocate them, and no apparent justification for passage of this bill. If they are economically valuable, someone must pay the price for that value. It is inevitable that the payment would ultimately be made by the American public to those whose new rights the bill would create.

Still further costs to the consumer must be expected from the passage of this bill. They are the indirect and intangible costs of restricted distribution, deterrents to innovation, restraints on vigorous competition, reduced selection, and the awful cost of time while the vague and uncertain effects of these new private rights are brought within more manageable limits by the judicial process.

There is almost no limit to the examples which could be cited on these points. The time consumed in litigation to determine whether a moderately priced dress is a permissible adaptation or an actionable copy will normally make the issue moot from a practical viewpoint, in this era of constant style change. This can be established quite conclusively by any husband, simply by asking his wife if she will be content to wear to a party a dress as old as the probable duration of a case in the Federal courts.

When this Nation was founded, it was considered the height of immodesty for a lady to permit her ankle to be exposed in public. More recently, the hems of our charming ladies' skirts have hovered from one delicately measured point above or below the knee to another, from year to year, with remarkable—if bewildering—uniformity at any given time. If only those few who could afford the high cost of unique designs could follow such trends, we wonder how the economy or the social structure of the Nation would benefit. We wonder, too, about the employment of the entire industries which presently depend upon these changes in fashion. There are, of course, many more American women who wear mass produced adaptations of handmade Paris and New York originals, than there are those who wear the originals. Yet there is clearly no shortage of originals, or of their recurrent modifications, and certainly no reduction in their price.

This brings us to our final point concerning the interests of the consumer. We are conscious of no public need for legislation of this type. If the purpose of this bill is to discourage destructive practices by competitors, and if those practices can be clearly and manageably articulated, it would seem they could be cured without imposing this heavy and dangerous burden upon the consumer. In general, it seems obvious to us that there is no shortage of innovation or of selection, and no lack of a strong market for goods of real value. We respectfully submit that the hazard this bill would pose for each of us—for each of us is a consumer—must be greater than the aggregate benefits sought by its proponents.

Our second ground for opposition is the disruptive effect the bill would have upon commerce and competition. All of those factors just enumerated from the viewpoint of the consumer also, of course, fall within this subject.

The clear import of this bill seems to be to encourage the transfer of a sizable element of competition from the marketplace to the courts. In the evaluation of new products, however innocently and independently developed, a new series of highly complicated and novel factors would be introduced. The originator of a design must decide such difficult questions as whether it requires or is worthy of Federal registration; whether it would warrant protective litigation; whether it is a "common, prevalent, or ordinary design"; whether it can be made sufficiently broad to preclude, or sufficiently narrow to avoid, all similar works by competitors; and whether it is a copy of a long-ago or recent product, or only an adaptation. The manufacturer who is well enough financed to institute or withstand litigation then has a significant advantage over his shakier competitor. The risk and the breakeven point for the innovator are raised, considerably. The potential, and the need, for registration would seem hugely greater than under existing patent, trademark, and copyright laws.

We respectfully submit that within the language of this bill it is impossible with any workable certainty to forecast the answers to many of these important questions. The rights upon which the claims must be based are entirely new. Their limits are very loosely described in the bill, and their real meaning would

not be fully known even after decades of judicial interpretation, in the fast-moving and fantastically multifarious modern world of consumer products. It seems to us apparent that the slow and restricted process of the case method of legal interpretation would soon prove woefully inadequate, and some form of Federal regulation would be called for to implement it.

This is not by any means a confession that manufacturing and distributive competition is a jungle in which every new rule will require masses of policemen for enforcement. In this instance, it is a characteristic of both the subject matter and the approach taken by the draftsmen of the bill.

Much of what we know as style, fashion, and design are actually dictated by conditions over which the designer has very little control, and which apply more or less equally to all who design the same kind of product. Style and fashion, as you know, are by no means limited to clothing, and are of growing importance in widely diversified durable and nondurable goods. Virtually all designers of consumer goods must operate under such inherent limitations as cost, available materials, engineering and productive techniques, current design (or fashion) trends, shipping requirements, and use and safety standards. Even Federal and State tax definitions can have a very direct and significant effect upon design.

Because of these inherent boundaries it is perhaps inevitable that products designed at the same time for the same uses tend to look alike. You may recall that until the recently developed more malleable metals were perfected, all household refrigerator cases had rounded corners and curved edges. Today, they all have a more crisp and tailored look, made possible by improvements in metallurgy and production techniques. This adds significantly to their usable contents. Still, the spaces in the kitchens for which they are destined are much the same, and this is reflected in the similarity, over the years, of their outside dimensions.

When the handles of laundry flatirons were made of wood, all were basically cylindrical, because that was the easiest and safest design for them. When suitable plastics were developed, more comfortable, graceful, and attractive designs became possible. The use intended for the product was the same. The skill of the designer was simply released by the materials with which he became able to work.

Applying the principles of Senate bill 1237 to some of these physical facts of design, it would seem that the first to develop the materials and productive techniques necessary for rectangular corners on refrigerators, or plastic handles for handirons, could claim a virtual monopoly whether these techniques were patentable or not. The first producer of a rear-engine car could register the sharply sloping front deck which that design permits, and the slotted rear deck air vents, which nearly all such automobiles now display. Any resultant mechanical efficiency over some other ornamental design would be a very significant extra, potentially requiring more costly and complicated engineering by competitors. Innumerable examples and extensions of these principles will no doubt come to mind with very little effort. None offer any source of comfort to the consumer or the economy generally, but they could create fantastic individual bonanzas at public expense.

Even more directly, it would seem, is the effect this bill must be expected to have upon the replacement parts and accessories industries. Production of automobile accessories and parts is a clear case in point. Most producers specializing in these things are small, and much less well financed than the producers of the cars on which their products will be used. The width of the whitewall of a tire, the shape and means of attachment of a mirror or spotlight, and even the conformation and decoration of a cigarette lighter handle, would seem highly susceptible of effective monopolization under this bill. Suppliers and retailers of parts and accessories for such things as home appliances, camera equipment, power tools, and even shoe soles and heels, appear to have very clear cause to be concerned about this proposal. It would seem quite simple to design equipment so that only certain protected ornamental shapes would fit or suit, and easily possible by this means to assure the manufacturer of the original product an increasing share or total control of the very important and potentially lucrative replacement market.

We do not intend to suggest that these opportunities for monopolization are an objective of this legislation, or a result sought by its proponents. We do, however, believe they are a very probable consequence, and an extremely dangerous one. Again, the consumer would be a major loser, but it seems

she might expect considerable company in her misery from the business community.

The third premise for our objection is the opportunities this bill would create for deliberate unfair or destructive competition. Admittedly, this is a rather fine distinction from some of the consequences just described. However, we believe the foregoing are inherent in the nature of the concept and mechanics of the bill, and would not necessarily require a conscious or demonstrable destructive intent. Here, we are considering the deliberate abuses the bill might be expected to suggest to the opportunists who always seem to germinate quickly in a soil as fertile as this.

Probably most obvious are the many opportunities for obstructive litigation offered by the vague and tenuous language of the bill. One experienced lawyer, after reviewing the bill, wryly submitted that his first recommendation would be to change its name to "The Patent Attorneys' Full Employment Code." Such questions of fact, or fact and law, as whether a design is a copy, an adaptation, or a coincidence; whether it is "dictated solely by a utilitarian function of the article"; and whether it is a "substantial revision, adaptation or rearrangement" of otherwise disqualified elements; all offer an unprecedented invitation for protests, negotiations, claims, litigation, and appeals.

The inherent inability of even the most expert to forecast the outcome of such issues would present any manufacturer with a very serious question as to whether he should produce costly dies and commit his productive facilities to the production of a contested design, or should fall back upon a less desirable but safer one, and so leave the field to his complaining competitor. The financial ability of a large and diversified competitor would permit him, if his ethics allowed, to utilize these uncertainties in a most aggressive and preemptive manner.

Relationships between suppliers and their retail customers are directly involved by the language of section 8. It is not entirely clear to us whether under section 8(a)(2)(ii) a retailer must both disclose his source of supply, and refrain from ordering or reordering, but either of these choices is likely to be extremely unpleasant to him. It would seem, by reason of that provision, that once a suit for enforcement were filed, a plaintiff would be entitled under Federal court discovery procedures to demand a list of the defendant's customers in order to implement this provision, unless the defendant were restrained or agreed to refrain from any shipments pending resolution of the case. The value of such a customer list to a competitor is obvious. The value of learning about a competitor's design techniques and personnel in the process of such litigation is also obvious.

Those of us who are involved in retailing also well recognize the effect upon most retailers of a letter from a lawyer, referring to a Federal law and demanding such information and action as this section contemplates. It means there is serious risk of the costs and dangers of litigation. It means, if sources of supply are disclosed, that the manufacturer is given the opportunity to control selection of retail outlets, and so to control retail prices and other major elements of merchandising, if he so desires. It means the retailer had better not rely upon his ability to reorder the merchandise in question, and so must curtail his promotional investment or be sure of much larger initial stocks on hand, with consequent increase in costs. In practice, it probably means he will seek a replacement line which will not have all these unpleasant side effects; and it is quite likely a salesman for the plaintiff will be around soon to offer just such a line.

Questions of this kind place a very heavy strain upon a retailer's reserves of courage and loyalty to a respected supplier. If he refuses to disclose his sources of supply, and places an order or reorder, he stands to lose everything he could make on the sale of the item, if the case is ultimately decided for the plaintiff. (Please remember, that general merchandise retailers count themselves fortunate if they can produce a net return of 3 percent on sales.) If the retailer decides to avoid trouble, and abandons a good line from a valued supplier, and the litigation is ultimately decided in favor of that supplier, there is no apparent means for the retailer to recover the value of the sales he lost by not having the merchandise. Furthermore, there does not appear to be any right of recovery for lost volume or profit by a successful defendant manufacturer who is unable to prove that his competitor brought the case with improper motives, or falsified his registration.

Here, again, the temptation is great to enumerate the many other kinds of wrongdoing which could be the unintended progeny of this bill. The potential uses of these new design monopolies, without more, in view of the motivation for and subsequent history of the Federal antitrust laws, are manifold and quite apparent. Under the bill, a registrant need only produce and publish one example of the article on which the design appears, and need never sell it or defend any claims of utilitarian capacities for it. This seems an open invitation for opportunities to obtain a broad stable of registered items, never actually produced for distribution, and make a lucrative career out of claims, litigation and negotiated licenses and royalties. It even seems possible for someone to design and register such a thing as a toy automobile, and through it later to enjoin or coerce payment on account of the full-size production of Chrysler, Ford, or General Motors cars. The danger of losing tools and dies, under section 22(d), is alone a very persuasive one for most manufacturers, for this is often the largest single investment related to design, and can involve millions of dollars for a single design.

We will not proceed further with this "Primer of Destructive Competition by Means of Design Protection," and will review instead, very briefly, the basis for our fourth objection; which is that this bill portends serious hazard and confusion when its new rights and procedures are superimposed upon an already very technical and complicated body of laws on the same or unseverable subjects.

To most of us who are general practitioners of the law, or specialists in other fields, the practice of the patent bar remains very largely an unattractive mystery. We may skirt its fringes through the law of unfair competition in the various States, which often involves the same sort of private interests, but the lines of distinction remain quite clear. Similarly, the antitrust specialists seem to have a language, viewpoint, and set of yardsticks all their own. This bill would place substantial elements of each in the same heterogeneous pot, with consequences one can only guess with trepidation.

Some of us have seen at first hand the fact that certain elements of design can now be included within the scope of a patent under existing law. The form of a trademark, whether or not made a part of the trademark registration, seems quite clearly also to be a form of design within the definitions of this bill. I question whether anyone can presently know if a trademark, or design protection, protest or interference were filed it would or could include the elements of both laws. Could a plaintiff obtain injunctive relief and damages on trademark grounds, and damages for design protection infringement by reason of the same acts by another? Could a diverstiture order in an antitrust action, or a compliance report under a cease-and-desist order of the Federal Trade Commission, include involuntary discontinuance or cancellation of a design registration used as an instrument in restraint of trade? The permutations and combinations seem endless.

When the predecessors of this bill were before preceding Congresses, I believe government and other witnesses testified to the effect that the bill presents grave questions of constitutionality. We will not impose by reiterating that testimony today, but I presume it is known to the committee and we most certainly concur in it.

The courts have been importuned on many occasions to recognize rights such as this bill proposes, and have declined. To be sure, some have concluded that only the legislature can take such action, and a few have intimated they would favor such a step. But at least since a 1929 decision of Judge Learned Hand, it has been quite clear that the right does not now exist, and that the difficulties of administering it if it did exist would be monumental, if not insuperable. We submit that a careful evaluation of this bill amply supports that latter conclusion.

Finally, we suspect that the staff and physical facilities required to administer the proposed system would be unprecedented, and we sincerely question the sufficiency of the proposed registration fees to defray their cost. The physical burdens the bill would impose on a registrant are minimal and easily satisfied. The potential volume far exceeds that of patents, the requirements for which are immeasurably greater than these, and trademarks, which can be used on a wide variety of items and variations. We sincerely wonder how anyone could effectively utilize this mass of design descriptions, which can be applied to a "number of different useful articles" other than the one shown in the application, and which must be accepted by the registration agency if quantitatively sufficient.

We submit that this is a matter requiring very thorough study from a standpoint of probable public appropriations, the propriety of specifying fixed fees in the bill itself, and the immense problems of housing and administration.

Having concluded that as proposed this bill would be seriously harmful to the interests of consumers, the flow of commerce, full and fair competition, and the application and effect of existing law, we undertook to determine whether these problems could be cured. It is, of course, not our purpose to condone piracy or guarantee profit to one from the labors of another, and as we mentioned at the outset we have sincere regard for the sponsors and some of the proponents of this bill.

Despite diligent efforts, we were unsuccessful. At the root of the problem is an attempt to create a broad, new, vaguely defined but powerfully enforceable new set of private property rights in virtually all kinds of manufactured goods, with massive new administrative procedures for the purpose of preventing certain specific misconduct which seems to be restricted to, or at least seems to be significantly harmful in, only a relatively few industries. Metaphorically, we have concluded that it is not feasible to attempt to modify a hand grenade to do the work of a rifle, and that this particular hand grenade has an extremely wide and unpredictable range and a very sensitive fuse.

However, we remain very ready and willing to consult at any time with anyone who so desires, in an effort to devise a different and more suitable approach to any problems in this area, which will not have the serious and extensive side effects we are confident this would have.

In the absence of any such proposal at this time, we must confine ourselves to the subject at hand. We, therefore, in conclusion, reiterate our vigorous and sincere objection to Senate bill 1237, and urge that the committee disapprove it, in the public interest.

Again, thank you very much for the privilege of presenting our views.

Senator BURDICK. At this time I want to include in the record a letter from the Honorable John J. Flint.

(The document referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 28, 1965.

Re S. 1237.

CHAIRMAN, SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS,
Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your committee is now considering S. 1237, a bill to provide protection for original ornamental designs of useful articles. On January 25, 1965, I introduced in the House of Representatives H.R. 3366, which is identical to S. 1237.

These bills will provide a new and a needed form of protection for original creative works in the area of industrial or applied art, and at the same time, will preserve the traditional full scope of copyright afforded under our existing copyright laws. I believe this antipiracy law will be a salutary step forward for the American public and the American businessman.

I respectfully urge your committee's favorable consideration of S. 1237.

Sincerely,

JOHN J. FLYNT, Jr.

Senator BURDICK. I would like to call Mr. Ellis Arnall, former Governor of the great State of Georgia. I want to say to you, Mr. Arnall, that Senator Talmadge would like to have been here this morning to introduce you to the committee but he had an executive meeting of the Committee on Finance. I am sure you understand the busy life of Senators here these days.

STATEMENT OF ELLIS ARNALL, FORMER GOVERNOR OF THE STATE OF GEORGIA

Mr. ARNALL. Not only, Mr. Chairman, do I understand that, but I am very sympathetic with all of you.

I appear here, may it please the subcommittee, in my capacity as counsel of the Walt Disney Productions. I have offered a statement which the clerk has and I would like to request that that statement be inserted in the record and I shall ask the indulgence of the committee only for a very few moments.

Senator BURDICK. Without objection the statement will be included in the record.

Mr. ARNALL. As I understand it, this hearing this morning is really convened so that opponents may be heard. The measure has passed the Senate on two occasions as I recall without a vote against it. It did not pass the House by reason of legislative calendar. The bill in its simplest form would do this: it would provide to the creators of original ornamental designs 5 years' protection so that no one could steal that design, and at the end of 5 years, they could have one more renewable term of 5 years before the design passed into the public domain.

This is not unlike copyright protection except copyright protection is much longer. It is not unlike design patent protection. It is not unlike patent protection. It merely would give an original creator; for example, Walt Disney—I will just use someone in that capacity because I represent them. But there are thousands of creative spirits in the United States who by their intellect, their ideas, their imagination, creative designs, and I say that they should have some protection for their work, just as one who creates a copyright has some protection, and while I am very sympathetic with the retail merchants and I would not offend them for the world because I am about to get in politics myself and I just wouldn't do that, I am one of the retail merchants.

I grew up in a retail mercantile store. My father was in that business. I worked there. I have an interest in a retail store now. And I am very sympathetic with the great multitude of paperwork required of retail merchants.

I sometimes say that if ever this country falls, it won't fall by external force or internal force. It will fall because we are inundated with paperwork.

I am very sympathetic with their problems. But as a lawyer, every day there is confronting businessman in America a question of whether or not he should do or not do a certain thing.

And I take the position, may it please the committee, that, first of all, the retailers are exempt from the purport of this bill. It is only to those who go out capriciously and with knowledge aforethought and undertake to pirate or steal someone's creation that the law applies. An apocryphal story, if I might——

Senator BURDICK. How do you address yourself to the problem that the last witness presented? Suppose he received a registered letter and that unknowingly he is selling an article which has infringed somebody's rights. He says that his problem then is a dollar and cents problem. He has merchandise he can't sell in his warehouses and he has to cease and desist.

Mr. ARNALL. If I were the attorney for that merchant—and sometimes I get in this position—I would immediately get in touch with the author of the letter and work out an arrangement to let me dispose of

it and to settle the controversy without resort to the courts and that kind of thing.

This happens in the case of copyrights, Mr. Chairman. It happens in the case of patents. It happens in the case of creative works. It even happens in the case of unfair competition, as we know, and as lawyers we know this is a great adjunct.

It should also be pointed out, in further response to the last witness' concerns, that the bill under consideration affords the retailer a relief and immunity even from the registered letter situation that he does not now possess under the copyright, patent, and unfair competition law. In other words, the retailer is better off under the proposed bill than he is at the present time. Even if the retailer receives a registered letter he can, under any circumstances, dispose of his present stock without liability and can even continue to reorder more of the merchandise from the supplier if he notifies the writer of the letter of the source of the allegedly infringing merchandise. Furthermore, a retailer under the proposed bill, who decides not to reveal his source, can still dispose of his existing stock without any liability if he does not reorder until the controversy between the two manufacturers has been resolved.

Thus I say the retailer is better off under the proposed law than he is under existing law because he has a specific exemption which solves his legal and practical problems if he should find himself in the middle between two manufacturers.

But let me get back, if I may, just to this statement. The story is told, and I am sure it is an apocryphal one, that in the early days when the U.S. Government was considering creating a maritime service and putting up lighthouses and bell buoys to warn ships of shoals and reefs, the beachcombers were quite upset because they said that, you are interfering with our livelihood. We salvage the wrecks and this is going to put us out of business.

Now, all I am saying is I am very sympathetic, for example, with the beachcombers or the retail merchants or anyone else. We cast no aspersions on them, but it is only right and proper that a laborer is worthy of his hire and if a creative person can create something that is a boon to mankind, he is entitled to protection of that creation under the law.

One other thing. This is nothing unique or unusual. England has this law. Every one of the commonwealth countries has the law—Canada, New Zealand, Australia, all of them. France has the same type law. Italy has. The Scandinavian countries do. Germany has one, also.

Here we find that our American creators are competitively at a disadvantage with creators of other nations who have such type protection. So this is nothing novel or new or untried. It has worked in other countries well and favorably over a long period of time.

We are quite anxious in the Walt Disney Co., to see our country pass such a law so that we can have a community with other international activities of other countries so that we have some type protection in our own country as well as in other countries.

One further thought and then I am through. It has been said that this will increase the cost to the consumer. I tell you this, that when-

ever a copyrighted book competes with a noncopyrighted book in the marketplace, a book that is in the public domain or on which the copyright does not subsist, competition keeps that book from being out of line. So it is with a protected item. It must constantly compete with nonprotected items serving the same purpose of different concepts.

Not only does the competition between protected and unprotected items in the marketplace keep costs in line, but you have also the competition between two types of protected items which keeps the price down and at the same time enriches our culture by stimulating variety. Thus the price of two copyrighted books is kept in line by the competition in the marketplace between them. If the price of the one copyrighted book gets too high the public will not read it and will look elsewhere by buying other copyrighted books or an uncopyrighted book for its reading pleasure. The availability of protection plays the role of encouraging more creativity so that the publisher will stimulate others to create new, different, and competing copyrighted works which will compete in the marketplace with other copyrighted works rather than letting the publisher merely copy an existing work without the benefit of additional creativity. This principle, which has proved to be the case in the field of copyright, will apply with equal force in the field of protected designs as to competition in prices and in stimulating the enrichening variety of design for the public.

So the greatest rule in the world for determining cost is competition, and it is our insistence that in the case of Walt Disney, for example, we have a copyrighted figure of Mickey Mouse and we put it on dolls, and whatnot, but we have to compete constantly with a mouse doll that is not copyrighted. So we have to keep the prices down.

But leaving this aside, this will give to the American people, in our judgment, a greater degree of certainty. It will put a premium on honest dealings. The day will be gone where someone can create a design in, for example, jewelry, we will just say, and almost the moment they put it on display, people take a pencil and copy it and get everyone to put out one just like it.

This is not right. Leaving aside hardships, and I hope there won't be any, leaving aside the legal problems, and, of course, legal problems are attendant in everything we do today, I trust and hope that this would simply put an end to the theft of creations honestly developed by good American citizens. And this is the whole purport of the bill.

Senator BURDICK. Senator Fong?

Senator FONG. Mr. Arnall, wouldn't this be very onerous to the people in the clothing industry?

Mr. ARNALL. Well, Senator Fong, there is some dispute among the lawyers involved in this legislation as to whether clothing has a constant configuration.

For example, a dress on one lady looks one way, hanging in a closet another, or in a box, another. This (referring to ashtray) is the same always.

Now, in the House when this bill was over there, the Senate bill, the subcommittee of the Judiciary Committee proposed that garments would be excluded from the purport of the bill. The subcommittee so recommended but Congress adjourned.

As far as one of the proponents of the bill, I have no deep feelings on this. It may very well be that the exclusion for apparel carved out by

the House subcommittee is a proper one, and I would certainly go along with it. Proposals along these lines have some outside support other than in the garment industry and have even been considered in other countries.

It might have some degree of burden on a copier, I would tell you that, Senator, but I think that that particular feature could be dealt with, as I have indicated.

Senator FONG. You have opened up the business to quite a number of lawsuits.

Mr. ARNALL. I have what?

Senator FONG. Opened up the clothing business to quite a number of lawsuits.

Mr. ARNALL. Well, as I stated, the House committee last year added this amendment that took out from under the bill the clothing industry.

Senator FONG. Now, take the case of any manufacturer of many and varied and diverse goods. He would have to be on his guard every moment when he puts out a new configuration, say a glass manufacturer, a bottle manufacturer. Wouldn't he be subject to very onerous burdens?

Mr. ARNALL. No. We don't think so, Senator Fong. We think that the only thing that a man who designs an ashtray has to prevent is copying somebody else's ashtray. The actual copying has to be present.

Senator FONG. Suppose he made the same design, almost the same design? What happens?

Mr. ARNALL. There could be two original independent designs. One would not be the copy of the other unless it was in fact a copy of the other.

Senator FONG. Would this bill provide for that?

Mr. ARNALL. Yes.

Senator FONG. Where a man designed it himself, and it is an exact copy of another man's, he will not be subject to this law?

Mr. ARNALL. Yes. It would be an original design. He would not be liable.

Senator FONG. No further questions.

Senator BURDICK. Well, suppose two manufacturers—this is something that came to my mind when Senator Fong was interrogating you. Suppose two manufacturers of, let us say, men's hose come to the same department with the same design at the same time. Would that be covered under this bill?

Mr. ARNALL. Each one of them would have an original creation. It is only the copy or the purloining or the stealing that is——

Senator BURDICK. Is there a burden of proof, then, upon the alleged infringed person to prove that it had been copied?

Mr. ARNALL. It would be a burden of proof, in my judgment, upon the plaintiff to show that this was a copy of his design.

Senator BURDICK. It is always a pleasure to hear you, Governor.

Mr. ARNALL. Thank you, Senator Burdick. Thank you, Senator Fong.

(Mr. Arnall's prepared statement follows:)

STATEMENT OF ELLIS ARNALL, FORMER ATTORNEY GENERAL AND GOVERNOR OF GEORGIA AND COUNSEL TO WALT DISNEY PRODUCTIONS

Today marks the fourth occasion on which I have been privileged to testify before a distinguished committee of the Congress considering design protection

legislation. Each time, we have moved a step closer to the goal of achieving final passage of a bill which, on one hand, will afford a new sui generis type of protection in the field of ornamental design and, at the same time, preserve inviolate the full, total and well-recognized scope of protection afforded to works of art in their various manifestations and applications as afforded by the existing copyright law and as that law may hereafter continue to develop under the wisdom and commonsense of our judges on a case-by-case approach.

Once again I appear to voice my unequivocal support for this important legislation, this time with the hope and expectation that in this 89th Congress, and through the efforts of this subcommittee, the fabric of American life will be enriched and the substance of American economy strengthened in the enactment of design protection legislation as embodied in S. 1237.

The pending bill bears the sponsorship of two of the Senate's most distinguished and respected Members and my good friends, the distinguished junior Senator from Georgia, Senator Herman E. Talmadge, and the distinguished Senator from Michigan, Senator Philip A. Hart. The synthesis which this bill will represent finds living expression in the fact that these distinguished Senators from distant parts of the country have found in the design protection legislation a common ground, a common need, a common purpose.

I will not undertake to recount the history of design protection bills during the last few years or before, for this has been admirably done by witnesses who have preceded me. Nor will I undertake to restate or reemphasize the substance of my testimony before this committee on two previous occasions and before a House Judiciary Subcommittee in 1963. The records of the two previous Senate hearings will speak for themselves, and I respectfully refer this committee to my remarks in the transcript of hearings of this committee on S. 2852 in the 86th Congress and on S. 1884 in the 87th Congress. In addition, I would like to call to the committee's attention the salient points I discussed in my statement of December 12, 1963, before Subcommittee No. 3 of the House of Representatives Committee on the Judiciary as follows:

"Under the able direction of the Copyright Office, a program for considering and proposing a general revision of the copyright law has been undertaken. Studies have been made, panel meetings held, and a plan for revision is being evolved. One of the areas being considered in connection with this general revision deals with the protection to be afforded in this area of copyright-design relationship.

"The enactment of a registered design law at the present time, containing an expressed and clearly defined relationship between copyright and ornamental design protection as embodied in section 33 of the pending bills, would provide an unquestioned formula for incorporation into any new copyright law which may be forthcoming.

"It would then be obvious that no other method of copyright law and design relationship would be acceptable or necessary. On the other hand, if the design bills are not enacted at the present time but at some future time after the passage of a new revised copyright law (assuming this eventuality ensues), the enactment of design registration legislation then would call for substantial modifications in the copyright law shortly after its reformation and revision, thereby defeating one of the salutary results of general copyright law revision.

"I now turn to a final point which is vital to the industry and commerce of our great Nation but which may be overlooked in the technical consideration of legislation of the sort being discussed at this hearing. I refer to the international aspects and international impacts of such legislation, or the absence of it.

"International commerce, the free flow of goods and other worldwide trade are becoming more and more important to our own economy and to that of the world. Such international trade and commerce must be facilitated and not impaired. Protection is needed by American businessmen engaged in such world commerce to assure that their products are not pirated abroad and that their works are protected.

"Practically all nations in the Western World presently afford some type of protection for the design of the type which would be protected under the bills now under discussion, and many of these nations are even now considering their design laws for purposes of improving and furthering their concepts. For example, within the European Common Market a special Coordinating Committee on Industrial Property has been established and is considering, as part of its activities, the adoption of a European designs and models treaty.

"Careful and thorough work in this area is being undertaken by the Coordinating Committee and its own subcommittee treating this area. Western European nations have traditionally afforded protection for industrial designs and have done so on the unequivocal basis of totality of copyright.

"There is no reason to believe that in adopting this proposed new treaty Europe will depart from its established traditions. In fact, on a recent trip to Europe my associates and I had occasion to obtain the views of high European officials involved with this question and were assured that this traditional system would be followed, within the terms of any new treaty. However, on several occasions the European officials stated that they are interested in and looking to developments in the United States concerning trends and determinations in this field so that they may take them into consideration in settling upon the methods and scope of protection to be embodied in their work.

"There can be no question that the eyes of Europe and other areas of the world are on developments here, and likewise our eyes should be upon Europe's views since trade and commerce is no longer a parochial subject.

"The enactment by the U.S. Congress of a design protection bill, which would fill the vacuum now existing between copyright and patent and at the same time reaffirm totality-of-copyright protection, would go far to bring our protection into line with that afforded by the European system, would influence Europe's actions, and would provide the basis for assuring full reciprocal protection of American designs employed in the world market.

"Great Britain has afforded design protection for many years. Unfortunately, with the enactment of the 1956 copyright law, the United Kingdom dropped out of step on the matter of totality-of-copyright protection. However, in recent months our British cousins have undertaken a restudy of their design protections laws including a reexamination of the totality-of-copyright position.

"Although no legislation has been forthcoming from Parliament since this reconsideration, the report of the committee which studied the matter presented as an alternative solution a partial return to the totality-of-copyright principle. This principle is recognized in the United States today and the adoption of this principle by Great Britain would be to the interests of American nationals employing their industrial properties in the United Kingdom.

"Accordingly, favorable action by Congress, establishing the type of design protection set forth in these bills, would give the British an additional incentive to adopt a system of design protection based on the concept of reciprocity which would bring the United Kingdom into conformity with the totality-of-copyright views embodied in the laws of western Europe and the United States."

The two salient points discussed in my above quoted remarks were (1) the significance of the pending design bill in relationship to the vital and important program of general copyright revision, and (2) the impact the design bill will have in the international context. Both of these points are equally valid today and perhaps have even taken on greater significance.

Copyright revision bills are now pending before the House and the Senate. Hearings are currently being held in the House, and hearings will soon begin before this committee on the subject of overall and overdue copyright revision. If design legislation is to be enacted, now would be the most propitious time since it could be immediately related and tied into a newly revised copyright law rather than postponing design protection legislation to a later time thereby subjecting the hopefully recently revised copyright law to modifications at an early date.

The international ramifications of the proposed design legislation to this country are important and cannot be emphasized too much. Most of the industrial Western World provides sui generis design protection similar to that embodied in S. 1237. The U.S. law presently does not provide this form of antipiracy protection, and the existing patent and copyright laws in this country do not correspond to the type of protection afforded in most of the European countries.

American citizens doing business abroad who may criticize certain aspects of protection afforded to the designs of their products are met with the unanswerable retort that no adequate type of design protection is available in the United States, so how can they complain of inadequacies abroad. My client, Walt Disney Productions, who does business throughout the world, is especially aware of this problem and need. Walt Disney's worldwide operations and those of other similar businesses produce favorable trade for this country and favorable international goodwill.

The enactment of S. 1237 would place the United States in a position to establish reciprocal arrangements with those foreign nations which have long provided sui generis easily obtainable and effective design protection and thereby would enable American citizens to take advantage of these laws in foreign countries to protect their designs from piracy and from uncompensated exploitation on the world market.

Furthermore, the enactment in this country of a design protection law would preserve and recognize the totality-of-copyright concept articulated in the U.S. Supreme Court decision of *Mazer* v. *Stein*, 347 U.S. 201 (1954) and explained fully by me in my previous appearances before this committee. The passage of S. 1237 would do much to encourage the few western nations which do not now have a totality-of-copyright approach to reestablish this widely recognized salutary principle into their laws. The United States, being the leader and major industrial nation in the world would by its example of reaffirming with other nations a totality-of-copyright posture in the applied art field make it abundantly clear that totality-of-copyright protection espoused in American copyright law, recognized in the American design bill and in the laws of most of the Western World would leave everybody out of step but Johnny, and it would let Johnny have the opportunity and another reason for wanting to get back into step.

Several months ago, a distinguished European govermental official wrote in an American journal of the development of the principle of "unity of art" (the French equivalent of totality of copyright) in France and elsewhere in Europe, and he expressed the view that this approach would continue to be the trend in Europe. The author, Mr. G. Finniss, head of the French Industrial Property Office, said, in his article appearing in the Journal of the Patent Office Society (vol. 46, No. 9, p. 615 at pp. 628–630), as follows:

"To the extent that one can see trends in the nature of protection for designs, it would appear that the direction is toward the existing French theory of unity of art. Except for an isolated British move in the opposite direction by creating a 'terminable copyright' in their Copyright Act of 1956, other nations appear to be moving in the direction of France to a greater or lesser degree, but nonetheless moving in that direction.

"In the United States the principal of 'totality of copyright' is the prevailing law and was confirmed by a famous decision of the U.S. Supreme Court in 1954. The principle of totality of copyright in the United States holds that where copyright exists in an artistic work it is not lost merely because the copyright proprietor embodies his work in industrial designs of useful articles. In that Supreme Court case, a statue of a Balinese dancing girl was copyrighted, and the Court held that this statue did not lose its copyright protection merely because the copyright owner transformed it into a lamp base and made it an article of utility. The copyright owner was permitted to enjoin other manufacturers of lamps attempting to use the same copyrighted lamp base.

"In addition, there are attempts in the United States to enact legislation which would extend the area of protection for industrial designs and models. These proposed laws would establish a new, sui generis, source of protection for industrial designs, beyond that of the copyright or design patent laws but would at the same time confirm the principle of totality-of-copyright protection.

"In short, the concept of totality-of-copyright protection is the present law in the United States and preserves copyright protection even when the work is embodied in a useful article. In the event an expanded source of protection should become law in the form of new legislation, the new law would still preserve the totality of copyright and not embrace the British form of terminable copyright.

"In New Zealand, a member of the British Commonwealth, a new copyright law was adopted in 1963. The committee which studied the copyright law revision carefully considered the alternatives between terminable copyright and a method of protection for industrial designs wherein artistic works as embodied in articles could find protection both under the copyright law and under a special design protection law. New Zealand adopted the latter course and rejected in its entirety the thesis that there can be a meaningful distinction in protection between pure art and industrial art.

"A similar consequence has ensued in the Republic of Ireland. The new copyright law in the Republic of Ireland, adopted in 1963, contains no provision for any terminable copyright, and it must be assumed that the copyright existing in an artistic work would apply to protect that work in all of its manifestations.

"Within the European Economic Community itself, new consideration is being given to design protection on an international basis. At this stage it is still too early to know precisely the exact lines which will be followed by the international system being considered. However, it is quite certain that the principle of unity of art will be preserved, at least in its present form, and in no case would a system gain acceptance if it attempted to incorporate any form of terminable copyright or jeopardize the copyright itself merely because the work is embodied in useful articles."

Mr. Finniss' remarks take on even more importance when it is noted that he is the chairman of the coordinating committee established within the European Economic Community for purposes of drafting European-wide treaties in this field.

To summarize, then, the international ramifications and important benefits, which would accrue from the passage of S. 1237, include the following: (1) the basis for reciprocal relations in the field of sui generis design protection would be established between the United States and major foreign industrial nations from which the American designer would derive the benefits of preserving his creations from piracy; and (2) by reaffirming and codifying the principle of totality-of-copyright protection in the design-copyright area we would join forces with the major commercial nations in Europe and thereby encourage the one or two holdout nations to consider coming back into line by reestablishing under their systems the principle of totality of copyright recognized by American law and so vital to an important part of American industry.

I, therefore, respectfully urge this committee to give its approval to the design legislation before it because it is needed; because it is proper to protect creative industrial designers from piracy; because such legislation will codify and enhance the traditional American concept of totality-of-copyright protection; and because the legislation will have an important and favorable influence in shaping and codifying a reciprocal international system for protection of industrial property to the benefit of the American trade and commerce, on a worldwide basis.

Senator BURDICK. Mr. Derek Brooks, vice president, National Retail Furniture Association.

STATEMENT OF DEREK BROOKS, VICE PRESIDENT, NATIONAL RETAIL FURNITURE ASSOCIATION

Senator BURDICK. Do you have a prepared statement?

Mr. BROOKS. Mr. Chairman, I do not have a prepared statement but I have a brief letter which I sent to the chairman of the committee yesterday and if you will allow me, I would like to read that into the record.

Senator BURDICK. Very well. Please proceed.

Mr. BROOKS. Mr. Chairman, members of the committee, I am staff vice president and director of Government relations of the National Retail Furniture Association. Our headquarters are in Chicago. We also are members of the American Retail Federation and its consumer relations committee.

I am authorized to speak here today on behalf of our board of directors in favor of S. 1237. Our association includes about 8,000 members of specialized retail furniture stores and they do about 80 percent of the national retail sales of furniture sold through the specialty independent furniture stores.

The text of the letter which I have sent to Senator McClellan reads as follows:

The purpose of this letter is to record with your committee the views of the directors of the National Retail Furniture Association with respect to S. 1237. At their quarterly meeting in Chicago on January 7, 1964, NRFA directors adopted the following policy with respect to ornamental design protection legislation:

"To encourage improvement in furniture design and to lessen the number of design changes, NRFA should support proposed legislation to provide protection from copying for original ornamental designs of useful articles provided such legislation is drafted to reduce to a minimum the legal hazards and financial risks for a retailer who in good faith unknowingly deals in an infringing article, and provided, further, that the retailer dealing unknowingly in such infringed articles shall not be penalized by enforcement action taken by the design proprietor."

That is the end of the policy.

If your committee can make sure that S. 1237 is phrased so that it provides the needed protection for furniture retailers innocently purchasing, stocking, and selling goods which later turn out to be infringing articles, then our directors wholeheartedly support the proposed legislation.

We would appreciate it if this letter which was sent, Mr. Chairman, could be made part of the record.

I think that we have somewhat the same concern as was expressed by Mr. Perlin for the American Retail Federation with respect to the notice to be given by registered or certified mail of the protection subsisting in a design. That would have the effect of requiring a furniture retailer to cease ordering merely on the assertion of the design protection holder but without actual proof of the validity of his claim having been made. And this point is of some concern to us because of the nature of the furniture industry.

Furniture, as you know, is a bulky commodity. It generally moves directly from the furniture manufacturer to the furniture retailer. The furniture retailers generally have very large warehouse facilities because they are the ones who stock furniture. In other words, generally in our industry there is no such thing as a wholesale distributor furniture warehouse. Furniture moves only once and that is directly from the furniture manufacturer to the retailer. And the result of this is that our industry tends to be one of higher inventory ratios, slower turnover, and a dealer's investment in stock tends to be rather high.

Now, that high investment is on the one hand the cause of our fear as to how this phrasing is set out in lines 23 and 24 in section 8 on page 7, but on the other hand, it is the basis for our supporting this legislation in principle.

Furniture obviously is a fashion item in which design plays an important part, and if a dealer has high investment in furniture of original design, and then he experiences that a particular line that he is carrying being what in our trade is called knocked off, he is in a very unhappy position with a larger inventory investment made in anticipation of carrying out a certain merchandising plan over a period of 6 months or a year.

As a matter of fact, only earlier this morning the president of our association told me that he had exactly this experience last week, of seeing a very fine line, a relatively new design in furniture, being knocked off by a competitor and therefore considerably upsetting his own merchandising plans. He didn't say whether it was being offered at a lower price but he did say it was an identical copy.

Senator BURDICK. You seem to be on both sides of this language. Do you have some other language that might be more reconciled?

Mr. BROOKS. Well, our concern on the particular language is this. We don't have a remedy but we think it needs further study because

we agree that if he receives—it says notice by registered or certified mail of the protections subsisting in the design—that he is then immobilized. This doesn't mean that we don't support the bill in principle but——

Senator BURDICK. Yet you say on the other hand that if he really was infringed and you are hurting a dealer who has stocked up on the original design, I say, if you don't do something to have this infringer cease and desist, what about the investment that the retailer has who has the original design in a bona fide manner? You raised that question yourself.

Mr. BROOKS. Yes. That is right. Maybe I misunderstood the point being made.

Senator BURDICK. Your point is that you thought the language is all right in one respect because the legitimate retailer who had an authentic design to sell and had the right to sell it would be hurt if the other infringer wasn't stopped.

Mr. BROOKS. I saw it the other way around, that if—maybe I misunderstood. Presumably if he was selling the protected design, he wouldn't receive such a letter.

Senator BURDICK. Now, you are furniture retailer Mr. A. You have your warehouse full of original design furniture. Mr. B, your competitor in town, gets hold of some copies. The manufacturer writes Mr. B and says, "You are infringing; cease and desist."

Mr. BROOKS. We would have no objection to that.

Senator BURDICK. I know, but in order to give you protection he would have to cease and desist.

Mr. BROOKS. I am visualizing this situation where there is a dispute——

Senator BURDICK. Oh.

Mr. BROOKS (continuing). As to who has the design, and the retailer could be immobilized.

Senator BURDICK. Do you have any suggestions?

Mr. BROOKS. No, we don't but our policy of support of the bill is contingent on points such as this being examined by the sponsors of this legislation. We are in a position of not being sponsors but supporters. The practical basis for support, Mr. Chairman, is that because furniture is relatively slow moving and because copying goes on, it results in more frequent changes of design than is really necessary to satisfy consumer demand.

The design situation is such that because of copying, manufacturers have to bring out new designs at a more rapid pace than is really suitable from a retailer's point of view. He finds repeatedly that merchandise that he has in stock tends to become obsolete because of the new designs which are introduced as the result of meeting the situation in copying.

I am not referring to the copies which come out but to the need of the leading manufacturers to introduce new designs to keep ahead of those who are copying. And this makes a substantial inventory problem for the retailer. It leads to him having to take markdowns and we believe that the situation would be healthier if this stimulus to frequent changes, too frequent changes in design, was removed by legislation such as this.

Senator BURDICK. The one thing that you seem to be afraid of is in the case of the example I gave you a minute ago about A and B, is where the manufacturer who sends the letter to B, the alleged infringer, the manufacturer himself doesn't have a valid and legal right. There might be some damage to B by withholding the sales, is that it? And that court action might ensue with unnecessary costs to B.

Mr. BROOKS. Well, I am not sure if I understand the provision correctly. What we are concerned with is that the innocent retailer shouldn't be immobilized.

Senator BURDICK. I am going further than that. I am thinking of a case where maybe a manufacturer tells an innocent retailer that he is infringing when he isn't infringing, and then the retailer takes the goods off the shelf and he quits. Do you feel there should be some assurance or guarantee given to B in that case?

Mr. BROOKS. This was the interpretation that I put on those last two lines there, that a situation like this could arise when it really wasn't a valid claim. And the retailer would have no basis of making the judgment.

Senator BURDICK. He might have recourse to courts against a man for making a false claim. I can see that.

Mr. BROOKS. Yes. It is a legal remedy that is open to him but not in many cases a practical one for him.

Senator BURDICK. But you don't have any language to correct it.

Mr. BROOKS. No, we don't.

Senator BURDICK. Proceed.

Mr. BROOKS. That is the conclusion of my testimony.

Senator BURDICK. Senator Fong?

Senator FONG. Your position representing the furniture retailers is a little different from the position of other retailers; is that correct?

Mr. BROOKS. Yes.

Senator FONG. Due to the fact that you are a very leading business.

Mr. BROOKS. Well, I think it is because we are in an area of retailing where we deal with consumer durable goods. We are not dealing with consumption goods or items with a relatively short business life cycle. It is not 6 months but relatively a longer period. And I can see a distinction between items, consumer consumption items where things move very, very fast and at a relatively slower rate of development in our own industry.

Senator FONG. Is it your understanding that most of the retailers are against this bill?

Mr. BROOKS. Are against it?

Senator FONG. Of other goods?

Mr. BROOKS. I don't know exactly whether most of them are. I know for our own industry that we have supported it for several years now.

Senator FONG. Is it because your industry only has, say, in a city the size of 300,000 people probably, only 3 or 4 retailers?

Mr. BROOKS. I think it is because of the character of our business, the fact that retailers are one of the—a furniture retailer is one of the few who has to be in effect the wholesale warehouser of furniture and that we are a big ticket, high price tag industry, and with a relatively

slow turnover, and yet we have a strong fashion and design element in it.

Senator FONG. You don't have too many retailers in a city, do you?

Mr BROOKS. In this city?

Senator FONG. In a city.

Mr. BROOKS. Yes.

Senator FONG. As compared to other retailers.

Mr. BROOKS. Furniture retailing represents over 6 percent of every consumer dollar, 6 cents of every consumer dollar goes——

Senator FONG. I am not talking about the dollar value. I am talking about numberwise. You have very few retailers in a city, don't you?

Mr. BROOKS. I could not agree to that.

Senator FONG. You don't agree to that?

Mr. BROOKS. No. I think the yellow phone book in Washington——

Senator FONG. As compared to clothing stores I would say probably the ratio of number of retail establishments selling furniture to that of——

Mr. BROOKS. In the same order of magnitude—it might be more or less. But it is not an occasional or rare thing at all.

Senator FONG. It is not——

Mr. BROOKS. I think the difference rests far more on the rate of turnover, the time cycle between, let us say, an item of consumer consumption as distinguished from consumer durable goods, the time cycle from the conception of the original design until that item is no longer marketable.

Senator FONG. Take, for example, a city the size of Honolulu, 600,000 people. I don't think there are more than 10 or 15 furniture stores. Would you say that would be——

Mr. BROOKS. Well, you probably have about 10 or 15 large furniture stores and a substantial number of smaller stores. There are about 60,000 stores in the Nation as a whole where furniture is sold and there are about 30,000 that sell a considerable amount and perhaps less than 20,000 that sell the volume of it.

Senator FONG. Now, if this bill goes through, then there would be less design as far as furniture makers are concerned.

Mr. BROOKS. There would be fewer design changes.

Senator FONG. And these designs will stay longer on a shelf.

Mr. BROOKS. Will be kept in production longer, yes.

Senator FONG. In the present situation, the present designers are forced to keep on putting on new designs because they are copied, is that right?

Mr. BROOKS. That is correct.

Senator FONG. And that has forced them to sell their goods at a lower price.

Mr. BROOKS. I didn't quite understand the question.

Senator FONG. Well, if manufacturer A produces a set of goods with a certain design and manufacturer B copies the design, it would force A to sell his goods at a lesser price than he originally intended because it is copied.

Mr. BROOKS. What happens is, it forces A to discontinue that design and originate a new design and therefore his cost of production stays up and the cost of furniture to consumers stays up.

Senator FONG. Yes. If he wants to compete with B, he has got to sell it at a lower price.

Mr. BROOKS. This isn't what happens, Senator. He discontinues that design which has been copied.

Senator FONG. Then he does not sell it at a lower price. He discontinues it. He has got to get rid of his goods.

Mr. BROOKS. Yes; which is an economic loss.

Senator FONG. He gets rid of the goods and then takes on a new design.

Mr. BROOKS. And he has to take on a new design, be involved in the expense of a new design. All of the retailers who had a business established on that design have to take markdowns and liquidate the stock.

Senator FONG. Is that one of the reasons why we see so many retailers of furniture going out of business?

Mr. BROOKS. Well, I am not conscious of that—I haven't seen that, Senator.

Senator FONG. I have seen quite a number of retail stores go out of business.

Mr. BROOKS. I know there is a turnover in all lines of retailing. I think you will find that in all retail lines.

Senator FONG. Can you give us an idea as to what is the capitalization of the average furniture store?

Mr. BROOKS. Capitalization? Average furniture store? Probably in the order of $75,000, $100,000.

Senator FONG. That is quite larger than the ordinary retail establishment of other goods.

Mr. BROOKS. Beg pardon?

Senator FONG. That is very high compared to the capitalization of other retail establishments.

Mr. BROOKS. I haven't had any occasion to make that comparison.

Senator FONG. No further questions.

Senator BURDICK. I want to thank you for your testimony.

You referred to the furniture industry. Are you speaking for the furniture industry?

Mr. BROOKS. For retail furniture dealers, not for manufacturers.

Senator BURDICK. Thank you.

Mr. Alan Latman, National Committee for Effective Design Legislation.

STATEMENT OF ALAN LATMAN, NATIONAL COMMITTEE FOR EFFECTIVE DESIGN LEGISLATION

Mr. LATMAN. Mr. Chairman, my name is Alan Latman and I am counsel for the National Committee for Effective Design Legislation. I have submitted a brief statement and do request that it be inserted in the record.

Senator BURDICK. Without objection it will be included in the record.

Mr. LATMAN. As a result of this work, I have been privileged to work with the distinguished draftsmen of this legislation mentioned before during the last 7 years and the result of this work is S. 1237.

George Lucas, Jr., who is present today, and who is the chairman

of the national committee, testified quite fully in 1961 and in view of the chairman's statement that his testimony along with the rest of testimony of the 1961 hearing will be incorporated, I believe that I can merely direct my remarks to some of the points that were raised this morning, if I may.

In the first place, of course, it was with great interest that I listened to Mr. Perlin's statement since this was the first opportunity to hear such a statement made at a hearing. Needless to say, I was particularly interested in Mr. Perlin's statement that he had no desire to defend piracy or to see that one man enjoyed a profit by reason of another man's labors. And so I suppose it comes down to the question of how to prevent such piracy.

Apparently Mr. Perlin's position is that to do nothing under the present system is desirable. Of course, it is our position that a bill of the moderate type, which S. 1237 is and has become, is the proper approach to prevent piracy and theft.

We think that this bill gives quick protection; that is, upon the marketing of the product, to commercially valuable designs which may not be "inventions" under the patent law or "works of art" under the copyright law.

We think that this protection would be available without undue expense for the smaller manufacturer. We think that the scope of protection, about which I would like to talk most this morning, is no broader than actually is needed. It extends only to deliberate copying and not to independent creating and not to merely selling. The term is short but generally sufficient.

Senator Fong asked the question, which was responded to, as to what happens to the man who does come up with a design similar to someone else's design. I believe it was Governor Arnall who correctly answered that there is a specific provision in the bill, section 8(b), which does make it perfectly clear that without knowledge and actual copying from a protected design there can in no event be any liability.

I would like, if I may, to jump to a point discussed a number of times, and that is the position of a retailer upon receiving a registered letter. Mr. Chairman, you correctly pointed out that the situation is quite similar under design patent and under present copyright. I believe Mr. Perlin readily conceded that the retailer is in a much worse position under those existing statutes because, regardless of what he does at that point, even if he was completely innocent, and had no knowledge that he was handling an infringing article and stops immediately, he can be sued for damages.

So, the design patent is not only ineffective from the originator's point of view as outlined by Mr. Carey in response to the chairman's question, but is also inappropriate in granting too broad a protection to those works which qualify for a design patent.

Senator BURDICK. This is under design patent.

Mr. LATMAN. And under copyright. Under both, whereas under the bill the retailer has an absolutely free way out. That is so even if he had knowledge independently that it was infringing. That doesn't put him in any worse position as long as he didn't induce the infringement.

This is an important point because retailers are relieved of the obligation to determine, as far as liability is concerned, whether something offered to them is infringing or is not infringing.

Regardless of whether they have knowledge, in the first instance, and I believe Mr. Perlin conceded this, they are completely free to dispose of anything that they have already ordered, even before taking possession of it. I say "ordered" because the only obligation to disclose the source comes into play when they wish to "reorder."

Now, disclosure of the source, in other words, saying in response to the registered letter, "Please be advised that our source of this item about which you write us is the X, Y, Z Co.," at least as clearly as I can read the bill, completely removes the retailer from any further obligation. He can reorder. He can sell what he had ordered. And I don't think that the specter that Mr. Perlin mentioned, about a lawsuit with discovery, with customer lists, is really apt because, I think, the bill is sufficiently clear that once he writes that letter and discloses this source, he is completely out of the picture as far as liability is concerned.

I don't think a lawsuit would stand up beyond the pleading stage. I think that on a motion to dismiss, the judge would throw it out on the basis of section 8(a) (2), I believe, so I think this bill goes——

Senator BURDICK. You mean he can continue to sell?

Mr. LATMAN. Mr. Chairman, he can.

He can continue to sell and reorder. He is given the option, an option for obvious reasons. He is given the option, and we can look at the section if you would like, Senator—this was very carefully provided and purposely——

Senator BURDICK. In other words, by doing that, he then throws X, Y, Z and A, B, C into court.

Mr. LATMAN. Where they should be.

Senator BURDICK. And he is not a party to it. And he keeps on selling.

Mr. LATMAN. That is correct, and this was done purposely, in the course of the scholarly procedure that Mr. Cary outlined at the outset, as a result of studying earlier bills, comparing foreign laws and comparing the onerous provisions of the current copyright law and patent law as far as retailers might be concerned. A deliberate decision was made as to the use of the words, I am referring to the use of the word "and" in section 8(a) (2) (ii).

Senator BURDICK. He discloses the source and just can't be caught in any litigation?

Mr. LATMAN. That is correct, Senator.

And I wanted to make that as clear as I could, I believe it may have also been covered in the earlier hearings in explaining the provisions. But if it is not, it is certainly covered in written statements and in explanations of the bill; and I believe—and if I am wrong, we would appreciate seeing how—that the words are very clear themselves, also.

Now, obviously the only reason he has an obligation to disclose his sources is to put into combat, as we say, the two people directly involved. That, I think, really would relieve Mr. Brooks as well.

Now, it is certainly true that people can write letters which are not founded factually; but we think this modest requirement, to simply

say we got it from X, Y, Z Co., is about the fartherest that anyone can go in exculpating the retailer from any involvement in this legislation, which is the intention of the proponents.

Senator BURDICK. The only way this retailer would be cut off in the future is if X, Y, Z, his original supplier, tells him, "We will no longer supply you."

Mr. LATMAN. I suppose that is correct. But the point of this bill is to be moderate. In other words, to hit the person who is actively and directly copying. For example, if you combine the provision we are discussing now with section 8(b), which I mentioned a moment ago, dealing with independent creation, and we read those two sections together, we see that the only person basically liable is the manufacturer who deliberately copies.

There are plenty of provisions we think that give him scope to make adaptations, as Mr. Perlin used that term. But the bill is aimed at what goes on today and that is the numerous instances of out and out, direct copying in which there is not even any pretense at adaptation. We think that if Congress were to say definitely that such copying is wrong, and if this meant that the would-be copyist would have to stop a moment and say "How can I change this design that I would like to copy in order to avoid infringement?" the very moment of reflection and resulting utilization of his own independent resources to make a different design, we think, would be in the public interest.

That is the point I wish to respond to with regard to Senator Fong's question.

A particular style originator in, let's say, the furniture field, would certainly have to come out with new designs after piracy had rendered obsolete a sofa or a desk in the hands of a consumer. But that doesn't mean that under the bill there would be fewer designs. It means that at any one time, which I believe is much more sensible, at any one time, not only A, but B, the infringing manufacturer, would have to come out with his own design. We think that the diversity of choice that a consumer would have at any one time, giving some modest protection to the original designer, is a much healthier situation than, let's say, a person who puts an item in his house and then shortly finds that he is out of vogue. We don't think that is healthy. We don't think that is the kind of choice of design that Congress should wish to encourage.

We feel, as Governor Arnall said, that foreign countries do have effective design protection and we constantly are faced with the curious fact that we in this country who seek a prime position in whatever walk of life we are occupied in, are content somehow to play second fiddle to Parisian designs, Scandinavian furniture, and imported chinaware. We seem quite content.

Now, I would like in that connection to address myself to the question of the apparel designers that you raised, Mr. Chairman. I think that Mr. Perlin is perfectly correct when he says that the real high price, top Parisian designers, are not interested in this bill. I think this is correct. At least that has been my experience as counsel and executive secretary of this organization for 7 years. I think they rely on high prices and snob appeal and their name, and I hope I don't use the words "snob appeal" disrespectfully to anyone, but I think it connotes a certain value in our society.

Senator BURDICK. Very descriptive.

Mr. LATMAN. Thank you. I would like to submit for the record an advertisement placed in Women's Wear Daily, January 29, 1964, following the attempt of the retailers to express what they felt was their view and the consumer's view The ad included the following:

A statement in a speech reported in Women's Wear Daily on January 6, 1964, declared that the passing of the design piracy bill could provide a picture whereby the upper crust of society would sport ultrahigh fashion and the rest of the American women would be walking around in sackcloth. This is utterly ridiculous and an insult.

America's economy is based on mass production, but this does not mean sterile design within these ranks. Many of the most successful popular priced styles in the past have been originals, and not copied in any shape or form from the designs of the couturiers.

This ad was placed by the New York Fashion Designers. And I would like to, if I may, submit this for the record just to amplify the point that was introduced before.

Senator BURDICK. Without objection.

(The statement referred to follows:)

[From Women's Wear Daily, Jan. 29, 1964]

PIRACY BILL

A statement in a speech reported in Women's Wear Daily on January 6, 1964, declared that the passing of the design piracy bill could provide a picture whereby the uppercrust of society would sport ultrahigh fashion and the rest of the American women would be walking around in sackcloth. This is utterly ridiculous and an insult.

America's economy is based on mass production, but this does not mean sterile design within these ranks. Many of the most successful popular-priced styles in the past have been originals, and not copied in any shape or form from the designs of the couturiers. In fact, some of these designers are so good that they should be rewarded with their label, which would give them the identity that they so richly deserve.

There is a law requiring contents of fabrics—why not require the designer's label? The manufacturers and buyers would benefit and also be rewarded by bringing prestige to popular-priced fashion, and American customers would be familiarized with their creative American designers.

Passage of the piracy bill, which is past due, would give incentive to more original creations.

NEW YORK FASHION DESIGNERS

1457 BROADWAY, NEW YORK CITY

Senator BURDICK. Proceed.

Mr. LATMAN. Now, getting to this question of price and how will the consumer be affected. Although Mr. Perlin did make certain remarks and certain arguments in this regard, I respectfully submit that he did not present to this subcommittee any facts which were any different from any other facts that this subcommittee has had before it in the past. I think he has expressed fears which are based on speculation; I think if we look for a moment at what experience we do have in analogous fields, we will see that is true.

For example, in the 1961 hearings, a rather extensive economic survey by an economist named William Blaisdell was submitted, by the Register of Copyrights. I think that study did not support any specter of rising prices. I believe we should look at the analogy of copyright, if I may elaborate on Governor Arnall's remark. A copy-

righted work is protected for 56 years and could be called a monopoly. I don't call it that, but it could be called a monopoly with as much justification as calling something under this bill a monopoly, for which I also think there is no justification. The true nature of a "monopoly" and the inaptness of this term to describe design protection is discussed in a scholarly analysis of the economic arguments previously offered by retailers. See Dulin, "Design Protection—Walking the Pirate Plank." I understand that this paper, which won first prize at the George Washington University Law School in the Nathan Burkan Memorial competition, is to be published in the August 1965 issue of "The Bulletin of Copyright Society of the U.S.A.," and to be republished in the October 1965 issue of the "George Washington Law Review," has been submitted to the subcommittee by its author and is part of the subcommittee files. When the time comes to license a copyrighted book for a paperback, it is licensed as a paperback even though theoretically the proprietor could charge whatever price he wants to. I think Governor Arnall is perfectly correct, that a copyrighted or protected work competes in this fast-moving society against unprotected work.

I would like, if I may, to give you an even closer analogy

Since the decision of *Mazer* v. *Stein*, which has been mentioned earlier today, has opened up copyright protection to useful articles, there have been thousands and thousands of textile designs registered under the copyright law. When I say textile I am referring of course, to the two-dimensional prints rather than the outline of any garments which might be made from the textile.

In the 1961 hearing on page 219, a letter was written by the head of the Textile Fabrics Association indicating that as of 1961 there were more than 6,000 copyright registrations in the textile field. I think that this affords——

Senator BURDICK. This refers to material alone, doesn't it?

Mr. LATMAN. Yes, that is correct.

Senator BURDICK. The design material.

Mr. LATMAN. Design on the material, the print on the fabric. I think we all recognize when we talk about the textile industry, we are talking about a highly competitive, volatile business with a lot of small businesses in it. We are not talking about any esoteric field. The experience of that industry, I think, gives a preview of the economic effect of S. 1237 in a much more factual way than the rather vague fears that have been expressed this morning. The writer of the letter, Mr. Blum, states that—I will have to paraphrase because of reference to the testimony of a witness—that there have not been price increases, for example, in the case of copyrighted designs, that there have not been concentrations of designs in the hands of any one manufacturer, that there could not be, in the nature of a design.

A design in addition to involving the expenses that you, Senator, pointed out, namely, the long work and arduous task artistically required, also has another cost which is even more significant. We are dealing with something like a horse race; the originator has to come out with a new design and know that 1 out of 10 will catch the public fancy. He knows pretty definitely today that this 1 out of 10 will immediately be copied. The other 9 out of 10, we will say, which are

flops and which just don't appeal to the public, will be his and ignored by his competitors, but the 1 out of 10 will be copied. So, he is forced today to price his products on the basis of this expectation.

Now, there is testimony again in the 1961 hearings, pages 103 and 104, dealing with the fact that when a manufacturer can anticipate some modest life of a design, in his own shop, then he can then price accordingly.

He doesn't have to price for, let's say, the killing, until somebody else "knocks off" the design.

There is another reason why we think prices would not go up and we think there is testimony at page 108, and that is, once a design can go into a second season—the testimony I refer to is that of a lighting fixture manufacturer—cost economies in producing the item then become apparent. In other words, just after the cost is recovered, and the experience is given, then the individual company can reduce their price which in fact was testified about.

I think also the foreign experience testified to by Governor Arnall is similar. So, I think that to the extent that we have any proof on this prediction, it is all the one way, namely, the prices would not go up. This has been our experience in whatever close fields of analogy we can get.

Similarly, Mr. Perlin mentioned a number of times economic strength of, let's say, a person or firm who takes advantage of this bill. On the basis of a number of considerations, I respectfully submit, beginning with my own personal experience going throughout the country in connection with this interindustry committee, the interest has been on the part of small business. Larger companies have perhaps other means to exploit their wares in terms of their distribution facilities and their trademarks.

The Small Business Administration in approving and endorsing the bill in the House stated as follows:

> Normally ingenuity and imagination are more important than financial resources in devising an attractive appearance for a product. For this reason ornamental design represents one step in the manufacturing process, perhaps the only one in which the small producer of limited means is not at a disadvantage. He can and often does excel in this field.

So at the last hearing, for example, we had Mr. D. J. De Pree, president of Herman Miller Furniture Co., perhaps a name that you have heard of. Yet, it is a company, as he testified, with less than 400 employees. Mr. Lucas, is the president of L. E. Carpenter & Co., a vinyl fabric manufacturer which competes with Du Pont, General Tire, U.S. Rubber and has less than 300 employees.

So that first on the basis, I say, of direct experience as to who is interested and who is not, the interest has been shown by small business.

The interest of Senator Hart and the interest of Senator O'Mahoney, which has been referred to when he did appear at the 1961 hearing after he retired from Congress and came representing nobody but himself and his views, both of these gentlemen, well identified in encouraging small business and discouraging monopoly, have supported this bill.

I believe that I referred to section 8 and how that lets the retailer off the hook. I think——

Senator BURDICK. Let's develop that once more.

Mr. Latman, it is your contention that the retailer cannot possibly be hurt with the exception that the infringing manufacturer may in the end at some future time be unable to ship him the material.

Mr. LATMAN. That is correct. He would not be hurt unless the infringing manufacturer were enjoined or voluntarily desists.

Senator BURDICK. And if he replies to that registered letter and gives the source of his supply, he can continue to sell as long as he can get the material.

Mr. LATMAN. That is correct.

Senator BURDICK. That is all I have on that point.

Mr. LATMAN You mentioned burden of proof before, and I think that there has been considerable thought given to that.

For example, in order to prevent abuse, there is a section 8(e) which tries to allocate the burden of proof quite fairly in the situation where a defendant can point to something in the past which is similar to the design that the plaintiff is suing on. I think it is quite correct, as Governor Arnall said, that there can be two protections on a single item, but that protection would be extremely limited. It would only prevent, and this is getting back to section 8(b), it would only prevent a person from copying in that direct situation.

And we think also that the hearing earlier bears out the difference between an original and a copy and the difference between a copy and an adaptation. This is certainly not easy to talk about verbally, but is easy to decide visually and was the subject of a slide presentation. I understand that duplicate copies of the slides are still available in the committee records or at least were at that time, and are commented on in the hearing. In other words, there is quite a distinction, and I think you see this when you visually perceive an out-and-out copy and an adaptation.

And finally, there are stringent provisions dealing with false claims, much more stringent than under the copyright law, dealing with suits based on registrations fradulently obtained.

There are provisions which are very unusual in the law, borrowed from the copyright law, for example, permitting the court to award attorney's fees to the successful party which, let's say, in that rare case in which a retailer might be involved in some lawsuit would be one substantial weapon that he would have against harassment.

In other words, an effort has been made—and I am sure that no bill is perfect and I am sure this one isn't—to refine the bill over a period, as Mr. Cary said, of at least 10 years. I personally have been involved for seven. We have tried to include the best thinking of industry, government offices with which we have been privileged to work and cooperate, the bar, and foreign experience.

We think that some of the compromises, such as in section 8, more than protect the retailer interest; and we think basically that we have here a moderate and effective bill. We think it is moderate in the sense that it goes only as far as the evil requires, effective in that it remedies problems left unanswered by copyright and patent.

Senator BURDICK. Thank you for having testified.

Mr. LATMAN. You are very welcome. It is a pleasure to be here.

(Mr. Latman's prepared statement follows:)

STATEMENT OF ALAN LATMAN

I am Alan Latman, a member of the New York and District of Columbia bars and counsel for the National Committee for Effective Design Legislation. Since formation of the national committee in 1958, I have been involved on a day-to-day basis in its program for new Federal legislation protecting designs. I have been privileged in this connection to participate in drafting sessions with such experts in this field as Judge Rich, Deputy Register of Copyrights Cary, Assistant Register Ringer, Mr. P. J. Federico of the Patent Office and a number of other distinguished leaders of the bar.

In the course of this program, the NCEDL has functioned as a clearinghouse of ideas and proposals, constantly soliciting suggestions as to how to improve and refine the provisions of legislative proposals protecting designs in accordance with the continuing experience of industry and the bar. Accordingly, the NCEDL has never been irrevocably wedded to any single bill. We are, however, of the view that S. 1237 goes far in achieving the balancing of interests required in this area. It affords moderate protection to original, commercially valuable designs which may not be considered inventions under the patent law or works of art under the copyright law. Such protection is available quickly, i.e., upon the marketing of the product; it is available without undue expense for the smaller manufacturer The scope of protection is no broader than actually needed, extending only to copying and not to independent creation or merely selling. The term is short but generally sufficient.

The chairman of the National Committee for Effective Design Legislation, Mr. George Lucas, Jr., testified fully before this subcommittee in 1961 as to the commercial need for legislation of this type. Inasmuch as Mr. Lucas' testimony, along with the remainder of the 1961 record, is to be considered by this subcommittee, I need not repeat this testimony. I am present today to answer any questions that the subcommittee may have as to the operation of the bill and, if appropriate, to comment on any new testimony which may be offered today.

I respectfully urge this subcommittee to approve S. 1237 toward the end that effective and equitable design protection in this country may become a reality.

Senator BURDICK. Are there any witnesses here—any other witnesses here? We have about 5 minutes. We are prevented by the rules to meet after 12. Anybody unlisted that hasn't been heard?

Mr. Perlin, do you want to use 5 minutes in rebuttal?

Mr. PERLIN. No, sir. Thank you.

Senator BURDICK. If not, at this time, without objection, we will include in the record a letter from Gerald R. Ford, Congressman from the Fifth District of Michigan.

(The statement referred to follows:)

OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 22, 1965.

Re S. 1237.

Senator QUENTIN N. BURDICK,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that your subcommittee is expecting to hold hearings beginning July 28 on S. 1237, the Design Protection Act.

This bill is similar to my own H.R. 450. I have been interested in this problem for a number of years and hope that the subcommittee and the full committee can take favorable action on S. 1237.

Sincerely,

GERALD R. FORD,
Member of Congress.

Senator BURDICK. The meeting will be concluded this morning and the record will remain open until about August 5 for further insertions.

The meeting is adjourned.

(Whereupon, at 11:55 a.m., the subcommittee adjourned, subject to call of the Chair.)

APPENDIX

AMERICAN BAR ASSOCIATION,
SECTION OF PATENT, TRADEMARK, AND COPYRIGHT LAW,
Chicago, Ill., July 28, 1965.

Re bill affording protection of industrial designs.

Senator JOHN L. MCCLELLAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCCLELLAN: In 1963 the American Bar Association adopted the following resolution:

"*Resolved*, That the association approves the principles of bills introduced in the 87th Congress, 1st session, for the protection of original ornamental designs of useful articles, which bills are identified as the Hart-Wiley-Talmadge bill, S. 1884; the Flynt bill, H.R. 6776, and the Ford bill, H.R. 6777; and be it further

"*Resolved*, That the passage of said bills is recommended.

"*Resolved*, That authorization is given to communicate this action to the appropriate committees in the Congress."

It is my understanding that the subject matter of those bills, having been twice passed by the Senate in previous Congresses, is again before your committee in the form of a counterpart bill in the current Congress.

As in the past, the American Bar Association continues to approve the principles of the ornamental design protection bill.

Yours very truly,

TOM ARNOLD.

ARMSTRONG CORK CO.,
Lancaster, Pa., July 27, 1965.

Re S. 1237

THOMAS BRENNAN, Esq.,
Counsel for the Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, Senate Office Building, Washington, D.C.

DEAR MR. BRENNAN: At their meeting in March of 1965, the Board of Managers of the American Patent Law Association carefully considered my committee's report dealing with the history of prior bills and the several bills introduced before the 89th Congress, including S. 1237, to encourage the creation of original ornamental designs of useful articles by protecting the authors of such designs for a limited time against unauthorized copying. I have been instructed to advise you that the American Patent Law Association supports the purpose and objects of this legislation and wishes to go on record in favor of S. 1237. The need for this legislation has existed for some time and, because we believe the proposed legislation is in the public interest, we urge that the necessary steps be taken to insure the passage of this legislation by the Senate.

In connection with the current bills, we would like to go on record in favor of the bills as introduced and, although we have several suggestions in connection with refinements in the technical language of the bill which we feel to be desirable, our primary concern is for early passage of this legislation. The American Patent Law Association feels that there is even a greater need for protection of original designs of the type envisioned by S. 1237 since the *Stiffel* (*Sears* case) and *Compco* decisions were handed down by the Supreme Court.

The American Patent Law Association is aware of efforts made on behalf of the National Retail Manufacturers Association to have the design bills amended so as to broadly exempt the garment industry from the application of the design protection afforded by the bills. We consider S. 1237 to be a well-considered bill and the result of long and exhaustive effort to establish a reasonable protec-

tion for original designs; and we oppose, in principle, any exemption's being written into the bill for the benefit of any segment of industry.

The amendments we believe to be desirable in connection with the companion bills before the 89th Congress, specifically with reference to S. 1237, are as follows:

Page 14, lines 7 through 12, cancel the sentence, "Remedy against such a final determination may be had by means of a civil action against the Administrator pursuant to provisions of section 1361 of title 28, United States Code, if commenced within such time after such decision not less than 60 days, as the Administrator appoints."

On page 14, after line 7, add the following new subparagraph:

"(d) Remedy against a final adverse determination under subparagraphs (b) and (c) above may be had by means of a civil action against the Administrator pursuant to the provision of section 1361 of title 28, United States Code, if commenced within such time after such decision, not less than 60 days, as the Administrator apponts."

On page 14, line 13, cancel "(d)" and insert therefor "(e)".

On page 18, cancel section 20 (lines 4 through 12, inclusive) and insert therefor a new section 20 which would read as follows:

"SEC. 20. (a) The proprietor of a design shall have remedy for infringement by civil action instituted after issuance of a certificate of registration of the design.

"(b) The proprietor of a design may have judicial review of a final refusal of the Administrator to register the design, by a civil action brought as for infringement if commenced within the time specified in section 12(d), and shall have remedy for infringement by the same action if the court adjudges the design subject to protection under this Act:

"*Provided*, That (1) he has previously duly filed and duly prosecuted to such final refusal an application in proper form for registration of the design, and

"(2) he causes a copy of the complaint in action to be delivered to the Administrator within 10 days after the commencement of the action, and

"(3) the defendant has committed acts in respect to the design which would constitute infringement with respect to a design protected under this act."

On page 19, line 12, after "party" add the following sentence: "The court may also award other expenses of suit to a defendant prevailing in an action brought under section 20(b)."

Briefly, the proposed amendments are intended only to clarify points considered by our committee and tend to overcome some of the objections which have been raised. The amendment to section 12 specifically provides for a remedy from a final adverse determination of the Administrator under both subsections (b) and (c). As the bills now stand a remedy is only specifically provided under subsection (c).

The language proposed for section 20 would, we feel, more clearly spell out the intent of this section. It would also put a more reasonable time limit on the combining of a suit to review a final adverse determination of the Administrator with an action for infringement, the time limit being the one set by section 12 which deals with remedies from final adverse decisions.

The final amendment, which relates to section 22, provides for an additional discretionary award to be made to a defendant prevailing in an action brought under section 20(b). This amendment is designed to further discourage the bringing of frivolous suits where one has not obtained a registered design.

Please let me know if there is any way in which I could be of assistance in this matter.

Very truly yours,

WILLIAM G. TAYLOR,
Chairman, APLA Committee on Design Legislation.

COPYRIGHT OFFICE,
THE LIBRARY OF CONGRESS,
OFFICE OF THE REGISTER OF COPYRIGHTS,
Washington, D.C., August 9, 1965.

Hon. QUENTIN N. BURDICK,
U.S. Senate, Washington, D.C.

DEAR SENATOR BURDICK: Following the hearings held on July 28, under your chairmanship with respect to S. 1237, the design protection bill, it occurred to me

that a further statement on the question of a retail merchant's liability might be helpful to your committee. Although Mr. Latman clarified this in his testimony, I should also like to state for the record, as one who assisted the coordinating committee in the drafting of the bill, that there was no intention to impose liability for the act of selling or distributing as such. The target of the bill is the making or importation of infringing articles, and unless the seller induces the infringement or, in a limited sense, abets it, he is completely free from liability and from the danger of an injunction.

The coordinating committee was well aware of the fact that a primary reason for the failure of earlier design bills was the objection by retailers to provisions which made them liable for the mere sale of an infringing article. These objections appeared to the committee to have merit, and section 8 of the bill was therefore drafted in an effort to exempt retail and wholesale sellers and distributors for all practical purposes. The relevant provisions of section 8 can be summarized as follows:

(1) A retailer who does not himself induce the manufacture or importation of an infringing article need not concern himself with whether or not any given item infringes a protected design. He is under no duty to find out. Even if a retailer has knowledge that an article infringes a design when he buys it, this places no additional burden on him.

(2) In any event, a retailer may dispose of all stock on hand or even on order at the time he receives notice of the protection of a design by registered or certified mail.

(3) Even after receiving such notice, he is completely free to reorder the item as many times as he wishes if he discloses the source of the item. It is only where he refuses to disclose such source that he must refrain from reordering. One purpose of the requirement of disclosure of source is to expose retailers who actually induce infringements, since normally a retailer who has nothing to conceal would not object to disclosing his source.

In addition, I would like to point out that the right of a retailer, after receiving the notice, to dispose of his stock on hand (or even to reorder where he discloses his source) would not be subject to injunctive proceedings by the design owner. By the terms of section 21 of the bill, an injunction may only be obtained to prevent infringement, and section 8 makes it perfectly clear that the sale of the stock under the circumstances involved is not an infringement.

In view of their possible interest in this vital provision of the bill, I am taking the liberty of sending a copy of this letter to each member of the subcommittee and to the sponsors of the design bills.

Sincerely yours,

GEORGE D. CARY,
Deputy Register of Copyrights.

WEIL, GOTSHAL & MANGES,
New York, N.Y., August 10, 1965.

SENATE JUDICIARY COMMITTEE,
U.S. Senate,
Washington, D.C.

GENTLEMEN: For many years, I have been keenly interested in the protection of original designs and in the development of adequate design protection legislation. At no time has the need for such legislation been more pressing than it is currently, and I should like to express my wholehearted support for the present bill to encourage the creation of original designs of useful articles.

Through the years, I have had the opportunity to express my views on the issue of design piracy in a number of books, pamphlets, and articles. In fact, some of my writings on the subject—"The Pirates Will Get You" (Columbia University Press), "Today's Fight for Design Protection" (pamphlet), and "Why Retailers Should Support Laws To Protect Fashion Designs" (Stores magazine, June 1961)—were made part of the record of the hearings before the Senate Judiciary Committee on the design protection bill (S. 1884) which was presented to the 1st session of the 87th Congress (hearings on S. 1884 before a subcommittee of the Senate Committee on the Judiciary, 87th Cong., 1st sess., at 171–207 (1961)). My views on the subject have not changed since that date. If anything, I have become more certain that legislation which offers protection against piracy of designs is a necessity. My writings, of course, express my point of view more thoroughly, and due to the importance

of the subject matter, I request that, if possible, the aforementioned works be inserted in the record of these hearings.

In addition, I would like to stress one aspect of the problem. Although case law in recent years has offered increased protection in some areas of the design field—notably fabric design—the recent Supreme Court cases of *Sears, Roebuck & Co.* v. *Stiffel Co.* (376 U.S. 225 (1964)), and *Compco Corp.* v. *Day-Brite Lighting, Inc.* (376 U.S. 234 (1964)), have made sharp inroads on the scope of judicial protection that can be offered to the victims of the design pirate. The Court has left the problem squarely in the lap of Congress, and I concur completely with the noted commentator. Professor Derenberg, of the New York University School of Law, when he points out that "it would now seem imperative as a result of the two cases that Congress enact, in the immediate future, the pending design bill" (64 Colum. L. Rev. 1192, 1200 (1964)). (Professor Derenberg refers here to S. 776, the bill which was before the 1st session of the 88th Congress, and which is substantially identical to the present bill.)

It has been a privilege to express my thoughts on the above bill, and I thank you for the opportunity.

Respectfully yours,

SYLVAN GOTSHAL.

NEW YORK, N.Y., *July 26, 1965.*

Re S. 1237.

Hon. JOHN L. MCCLELLAN,
Chairman of the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee, Washington, D.C.

DEAR SENATOR MCCLELLAN: I have followed closely the legislative history of bills dealing with the protection of designs since I was associated as a Canadian observer with the Coordinating Committee of the National Council of Patent Law Associations, which under the chairmanship of Giles R. Rich was responsible for drafting H.R. 8873 of the 85th Congress (Willis bill), a predecessor of S. 1237 with which this letter is concerned.

About a year ago I read the statement dated January 14, 1964, of the National Retail Merchants Association (NRMA) on the subject of S. 776, another predecessor of S. 1237. I was then so concerned about the distortions and misapprehensions that were manifest in that statement that I wrote to Representative Willis, the chairman of the House subcommittee, to express my disagreement with the NRMA statement. It is most regrettable that the NRMA is still officially opposing the provisions of S. 1237 and I believe my comments on the statement of January 14, 1964, should be put before you.

Before commenting on the NRMA statement I shall refer briefly to the background of experience in the field of design legislation from which I write. I am a barrister in the Law Society of Upper Canada (Ontario) and qualified as advocate in the Province of Quebec. While associated with the Toronto law firm of Ridout & Maybee, in which I prosecuted many applications for design protection in Canada, the United States, and other countries, I was a design judging member of the Design Index Committee of the National Industrial Design Council of the Canadian Government. Beginning in 1955 I testified on several occasions before the Royal Commission on Patents, Copyrights, and Industrial Designs on behalf of several organizations and individuals, including the Patent Institute of Canada. Subsequently, I wrote a number of articles on the subject of design legislation (a list of which follows the end of this letter), some having been writen while I was with the Legal Department of E. I. du Pont de Nemours & Co., in Wilmington, Del., or the international patent firm of Haseltine, Lake & Co., in New York, with which I am now associated.

Judging from the NRMA statement of January 14, 1964, the association apparently attempts to base its position on the principle "that all men and women are entitled to the fruit of their work." I find this strange, for it is precisely this principle that S. 1237 (like the copyright law itself) is designed to uphold. Yet the NRMA apparently objects to any interference with the notorious activities of the "knock-off artist" whose activity has only one object: to deprive the original designer of the fruit of his work by a deliberate act that amounts to legalized theft.

Perhaps in a rough-and-ready earlier state of the garment industry, when domestic design facilities were relatively underdeveloped, disreputable ethical standards were justified by necessity. They are far from being good enough for

the American business community today and legislative support for those who are ready to meet higher standards is long overdue. If it is not provided now, the courts will provide a more capricious and a less predictable judicial substitute, for this Nation will not indefinitely condone piracy protected by law.

Again judging by the NRMA statement, I believe its position is not only wrong in its fundamental premise but is also based on a misunderstanding of S. 1237, its legal nature, and its potential effects if enacted. At least 30 times the statement refers expressly or impliedly to the kind of designs that would be protected as being "ideas." The fact is that ideas have never been and can never be protected by the legal principles of copyright, and S. 1237 is based wholly on the same legal principles. Practically every objection to the bill that the NRMA statement makes is therefore entirely irrelevant to the issue.

One need only try to follow the NRMA's own implied comparison (on p. 2 of the statement) of Darwin's idea of evolution on the one hand with a specific, detailed, original design of dress on the other to recognize a fallacy of monumental proportions. What are being compared are in actual fact precise opposites, the idea that Darwin saw expressed in every living creature versus the creative expression by one man of a complex of ideas; the abstract concept versus the concrete thing. On the same page of the statement, a similar contrast of opposites is to be found in the idea of cubism versus any particular Picasso painting; Braque may have used the idea of cubism but has he ever been accused of copying a Picasso painting? In the field of fine art, to copy and convert to one's own profit the original features of another man's creative mind and hand is despicable and indefensible even if not illegal, but even in this strict area no one would be foolish enough to suggest that the idea behind a "school" or "style" of art should not be followed by a long line of reputable artists.

Analogous to this distinction is the distinction (which seems to have been ignored by the NRMA) between a fashion "look" or "influence" and the hundreds of original designs that individually express that look or influence and yet are so different from one another in significant detail that a great designer's reputation rests on his own unmistakably unique versions of the trend. The NRMA statement however does finally admit that it is the copying of those significant details that the design is designed to prevent; as it says the "knock off" is substantially identical to the original.

Can this deliberate piracy be justified because it converts the fruits of the designer's work, against both his will and accepted principles of morality, into a very questionable public benefit; namely, the allegedly greater availability of cheap copies to the mass market? In any case, is it so important that the American consumer be able to buy copied dresses a little sooner than if the designers themselves were permitted to use their own designs for their own benefit? Are American design facilities and abilities so poor that mass-produced original designs closely following the trend set by the various exclusive originals cannot be economically produced in this country? On a mass-production basis, the added designing cost would be spread over so many articles that it would be an insignificant addition to the cost of each. (The same would be true of royalties payable for a licensed original design.) Surely the normal operation of market demand would insure that low-priced but originally designed garments, entirely in line with the latest trend, would be just as available as they now are, and within a similar interval.

The NRMA is entirely wrong if it suggests that S. 1237 would extend protection to creations that are less original than those that are already protectable by patents or copyrights. The comparison with patents is irrelevant and inapt. Patents require novelty and invention rather than the originality that S. 1237 requires. In regard to the comparison with copyright, this bill merely extends protection of the copyright type, with appropriate safeguards, to useful articles that meet exactly the same test of originality required by copyright. They might or might not be copyrightable under the present law, but if not the reason would be their useful or industrial character rather than any lack of originality. The effect of the bill, therefore, would be to introduce relative certainty and uniformity into the area while maintaining the minimum ethical standards that the courts will in the absence of legislation attempt to apply under the present law.

The NRMA statement appeared to be concerned almost entirely with the garment industry. The need for legislation like S. 1237, however, extends far beyond this industry in order to protect an investment in design by the manu-

facturer and particularly the small manufacturer. A special study that I made in Canada in 1956 indicated convincingly that such legislation would not constitute a burden on the retail merchant whether large or small. The NRMA allegations to the contrary are based on a fundamental misunderstanding of the value of copyright as applied to the design of useful articles of commerce.

The research that I did on the subject related to proposals for new legislation that I made to the Royal Commission on Patents, Copyright, Trade Marks, and Industrial Designs; appointed on June 10, 1954, by the Government of Canada. In its report, issued in 1958, the Commission sets out and comments on my proposals in detail (pt. V) and accepted some of them. Later they were published in the Journal of the Patent Office Society, volume 38, No. 7 (July 1956), pages 448 to 477, under the title "A New Approach to Protection for Designs of New Products." I will quote some of the paragraphs (at pp. 476 and 477) that deal with the probable impact of copyright-type design legislation on retailers and manufacturers, and which would apply equally to legislation along the lines of S. 776.

"Under any new act that gave promise of better protection, it is certain that there would be an increase in the number of worthwhile design registrations. Progressive manufacturers who do original design work might register almost every new product they produced, and the feeling of security against copying that the registrations created would tend to increase the amount of capital invested in original designing. Furthermore, the existence of the registrations would tend to reduce the amount of nonoriginal work and this again would tend to stimulate original design work."

"Where a reputable manufacturer wished to turn out an original or an adapted design, he would be free to follow the usual practice of studying competing products, and adopting any new ideas in them that are not patented, without copying the design features that his competitors have developed to embody these ideas. The existence of copyright-design registrations on the competing products would not interfere with this type of original work. Thus "trend" ideas—like the 'wrap around' look in automobile windshields, or the 'new look' in dress design—could not be monopolized, but each designer's version would be protected."

"Because of the ease and frequency of registration, manufacturers, dealers, and the public would come to regard the fact of registration as routine and not as itself suggesting that a registered design is more than partly original. Thus one disadvantage of registrations under the present law, that they lend themselves to harassment of potential infringers because the very fact of registration is a presumption that the registered design is novel, would be eliminated. The onus on the copyright-design registrant to prove that use had been made of the original features of his design would strongly contrast with the present requirement that the registrant merely has to place his registration on record to put a heavy onus on his opponent of proving either noninfringement or invalidity."

"In a modern department store, there may be up to 300,000 different articles on sale. At present very few of them are registered designs. Even if the foregoing proposals for a new law were adopted, the majority of these articles would never be subject to design registration, either because they are not original or because the designs are of such temporary interest that registration would not be worth the cost. For the remaining articles, registration on those that are recognized as commercially unsuccessful designs would have no effect, because no one would wish to copy them anyway. Registrations would be of value only if they covered good designs on which a considerable amount of original work had been expended. This is the only kind of design in which copying benefits the copier, and it is the kind of design that should be encouraged."

The paragraph quoted above concerning department stores and suggestions that I made for provisions protecting retailers were approved by A. N. Morgan, Esq., patent counsel for the T. Eaton Co., Ltd., of Toronto, one of the world's largest retail organizations. Mr. Morgan and the firm's merchandising manager had previously conducted me through all the floors of the Toronto main store so that we could discuss the actual relevance of design legislation to the various articles of merchandise on display. (The provision that I suggested to protect retailers is reproduced on page 470 of the J.P.O.S. article mentioned above.) This experience convinced me of the danger of discussing in abstract terms the

issues raised by design legislation, and the value of getting down to cases so as to avoid the misunderstandings that are largely responsible for the opposition to intelligent legislative proposals such as this bill.

In view of the foregoing, may I strongly urge that objections to S. 1237 made by the National Retail Merchants Association should not be permitted to interfere with the complete support that this bill deserves.

Sincerely yours,

ROY V. JACKSON.

PUBLISHED ARTICLES

"Industrial Design Law in Canada," Journal of the Patent Office Society, 1956.
"Proposals for New Industrial Design Legislation," Canadian Patent Reporter, 1955, and Journal of the Patent Office Society, June 1956.
"A New Approach to Protection for the Designs of New Products," Canadian Bar Review, 1956, and Journal of the Patent Office Society, July 1956.
"Industrial Designs in Canada: The Royal Commission Report," Journal of the Patent Office Society, October 1959, and Canadian Patent Reporter, 1960.
"Industrial Designs in the United Kingdom: The Johnston Committee Report," Journal of the Patent Office Society, June 1963.
"Industrial Design Legislation," La Propriete Industrielle, May 1963.
"Unfair Competition by Product Simulation v. Copyright Protection for Designs," Journal of the Patent Office Society, May 1963.

JULY 28, 1965.

STATEMENT OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION

The National Retail Merchants Association is a nonprofit trade association organized under the membership corporations law of the State of New York with executive offices at 100 West 31st Street, New York, N.Y.

The NRMA, as we usually are called, has a membership of approximately 1,800 corporations, partnerships, and individual proprietors, located in every State in the Union and in over 40 foreign countries. These members operate over 14,000 department, specialty, and chain stores, with annual sales approximating $21 billion. Our store members provide employment for an estimated 1 million of our citizens in the various States.

In behalf of the members of this association, we would like to take this opportunity to voice our strong objection to the enactment of S. 1237, the proposed design protection bill now pending before this subcommittee. This statement is being submitted in accordance with a resolution adopted by the membership at its recent 1965 annual convention which states in pertinent part the following:

"This bill, which purports to give design protection, would not accomplish its objective. In fact, it would seriously impede the flow of ready-to-wear and other merchandise to the general public."

The National Retail Merchants Association is concerned with the impractical provisions of S. 1237 because of the disruptive effects it would have in the retailing industry. The proposed legislation would have far-reaching implications, for it would immediately place a cloud over literally every inventory item carried in our member stores. Conceivably, there is not a single category of merchandise which would not be open to possible suit as a result of the enactment of S. 1237.

S. 1237 WOULD HAVE DRASTIC CONSEQUENCES IN WOMEN'S APPAREL

In women's apparel, fashion ideas—and creative ideas are the subject of the pending bill—are in constant development. Fashion cycles regularly recur over and over again. Industry adapts them to current wants. Fashion museums are favorite sources for fresh ideas.

How would the courts decide the originator of a "look" when the "look" is itself recurrent? In fashion, if you live long enough, the modes of your youth overtake your age. Is that manufacturer the owner who first gets to the registry office? Owning means having the right to stop everybody else in the industry from bringing out the same idea.

The "couture" manufacturers favor the proposed legislation. On what basis could they register their designs as against one another when trends in fashion are much the same for all, and all lines tend pretty much to look alike?

How would the courts decide whose was the original and whose was the copy, when all designers great and not great—and we have designers equal to the best of France—are nevertheless subject to the same "influences?"

The bill proscribes "copying." Suppose one manufacturer saw another's garment and it "gave him an idea." The idea resulted in a garment made of a different fabric, of a different texture, the collar line changed, decoration added, and the cost, two rungs over or under the "original." Suppose suit were brought. How could the courts decide which was the original and which was the copy?

This type of creativity occurs over and over again in the ready-to-wear industry. The creative idea process is much the same in other industries. Should we suppress it? We would if S. 1237 is enacted.

The proposed legislation is aimed at the so-called "knockoff artist." Let's assume a "knockoff" is made. The "knockoff" is identical in most respects to the original it copied. But the copy has a better quality of fabric. It has more costly trimming. It is cut fuller. It is a copy if it adds that "degree of individuality" which the late U.S. District Court Judge Alexander Bicks, in deciding the case of *Trifari* v. *Charel*, considered the measuring stick for newness.

Styles, "periods," recur. Assume the Empire style returns. It is in the public domain. No one may register it for his own. But several add "some degree of individuality" to the design. Presumably this makes it registrable. Should the first one to get his certificate be able to stop all the others who may impart notable "degree of individuality?"

A number of small manufacturers depend in substantial part on store buyers for designer ideas. Buyers scour the consumer magazines and trade press for ideas. They want exclusives in order to profitably compete. They describe their ideas to the small manufacturer and he makes up the garments.

Under S. 1237, the store may be sued if a so-called owner of the registration believes his design has been copied. The store is involved because the proponents of the bill have inserted the "inducement" clause. The store "induced" the violation, hence it is culpable.

Such suits would tie our stores into knots. Giant firms, by constant litigation, could harry smaller firms out of business.

The argument is made that it takes too long under the patent law to determine the originality of an idea. The "originators" of these "new" ideas want faster action and thus seek additional protection under S. 1237.

Why shouldn't the "originators" seek protection under the copyright law? Right now a number of items of apparel are protected under this law—items popularized on TV and by a film star. Attempts to "knock" these off were met by suits. Genuine ideas are protectable. S. 1237 would make the doubtful, protectable. We feel that there are sufficient existing protections for the true innovator—and these protections make the proposed legislation not only unnecessary, but impractical.

How does fashion operate in this country? It starts at the top—at the highest level of price—and percolates down in one season or two seasons. Because of this, the American woman is the best dressed woman in the world. Because of this, the American woman pays less for her apparel. And this method of operation has made the women's apparel business the multibillion-dollar business that it is, employing thousands of workers.

Were the so-called originators, under S. 1237, able to keep for themselves the ideas which are themselves derivative, the mass popularization of women's styles would virtually cease. Especially would this be felt in low and popular priced merchandise.

If S. 1237 should be enacted into law, conceivably there would be two classes of women: the small band, affluent enough to afford the high prices the "owners" impose, and the rest of our women, unable to afford them. We would have "haves" and "have nots." We would have women in current styles and women in dated clothes. We would have first-class citizens and second-class citizens.

To avoid this, the "owners," we are told, would downgrade their own styles in the course of the season, as many do now. They would bring out lower priced versions. This is what the present unfettered market now does and quickly.

The "owners" would be less swift, operating under S. 1237, because they would wish to "milk" their designs as long as possible, and only at the tail end of the season would they arrange their own "knockoffs." Also, if they did so earlier, they might offend their high-paying customers who would not wish to meet themselves coming down the street from the opposite direction.

Is a businessman a "pirate" who follows a trend? This holds for all business, not only in the ready-to-wear field. The first one out with a wanted product gets the fruits of his enterprise. It is common practice in all businesses not to let a competitor beat you to an idea.

Frequently your version is an improvement on the first. Not to be able to do this is to run the risk of being out of business. Frequently the versions are at a lower price because of technilogical breakthroughs. The consumer gets the "break." We feel that S. 1237 would operate in such a way as to severely curtail innovation in the ready-to-wear field and would be harmful to the best economic interest of the American consumer.

It is appropriate to recall at this point that when the House Judiciary Subcommittee considered similar legislation in the last Congress, the subcommittee recognized fully the chaotic conditions the legislation would impose in the ready-to-wear field—and added an amendment which was designed to exclude men's, women's, and children's apparel from coverage under the legislation. While this action was indeed encouraging to our many store members, it provided only partial relief because numerous other merchandise items carried in retailer inventories would be exposed to possible legal suits—and under such circumstances, retailers would be innocent third parties, yet at the same time would be subjected to severe injury. We express great concern here for other merchandise lines because as we examine the Copyright Office report on similar legislation, it is envisioned that such items as "jewelry, textile fabrics, dinnerware, wallpaper, glassware, lace, lamps, clocks, silverware, rugs, furniture, pots and pans" and many other inventory items would be covered under the proposed legislation. This brief illustrative list could be expanded to touch on all merchandise lines handled in department and specialty stores.

S. 1237 WOULD RESTRICT COMPETITIVE FREEDOM

S. 1237 would restrict competitive freedom, for it would give to one person the right to clear all competitors from the marketplace. Under the proposed legislation, the "owner" would maintain his prices. His quality would not be improved. The item would not get the wide distribution which active competition accomplishes.

The proponents declare that under S. 1237, prices would be lower. Actually, monopoly would be made legal and monopoly has never resulted in lower prices. Moreover, monopoly has been last to introduce technological innovations that result in lower prices. The proposed legislation would tend to create unjustifiable monopolies and subject our retail members to the burden of countless legal suits.

It is noteworthy that when the Department of Justice commented on similar legislation, it stated: "The bill would provide for a new type of monopoly protection, different from either copyright or design-patent, for useful articles which include original ornamental features." The statement commented further that: "The Department of Justice consistently has opposed legislation the purpose of which is to except certain practices or acts from the antitrust laws. We are not aware of any justification for an exception in this field."

In opposing the legislation, the Department of Justice raised a further question concerning the constitutionality of the measure and concluded, moreover, that "the bill would solve none of the difficulties arising from the dual protection afforded by the design-patent provisions of title 35 and the copyright provisions of title 17, as exemplified in the case of *Mazer* v. *Stein, supra*."

CONCLUSION

We have pointed out that ideas are derivative. We have demonstrated that genuine breakthroughs are either patentable or copyrightable. We have suggested that the legislation would result in thousands of lawsuits involving items in practically every category department and specialty stores buy in. We have suggested that under the proposed legislation, "ownership" of an idea would freeze out all competition and thus force on higher prices to the detriment of the American consumer.

For these reasons, we urge the subcommittee to reject S. 1237, and not report it favorably to the full Senate Judiciary Committee.

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